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Paul Halley '94

*Illinois Wesleyan University*

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# The McLean County JDC: An Evaluative Tool for Determining the Feasibility of Outsourcing Juvenile Detention

## **Abstract**

The purpose of this research is to compose a systematic procedure, using cost-benefit analysis, to determine the feasibility of expanding government services by adding juvenile detention facilities, as opposed to outsourcing juvenile detention to other nearby counties.

## **Keywords**

Central Illinois

About the author **Paul Halley '94**, an economics major, is a second time contributor to the journal. This paper was his senior project (for which he is also seeking Research Honors). The project emerged from his work as a finance intern at the McLean County Administrator's office, when the proposal to build the juvenile detention center was first considered. Paul watched the decision making process first-hand and was personally involved in many procedures related to the building (The center was completed in November 1993). Paul, being interested in finance and organizational management, plans to pursue a Masters degree in Business Administration. He feels his major in economics greatly enhanced his analytical skills and was the ideal preparation for his career path.

THE MCLEAN COUNTY JDC: AN EVALUATIVE TOOL  
FOR DETERMINING THE FEASIBILITY OF  
OUTSOURCING  
**JUVENILE DETENTION**  
Paul D. Halley



*McLean County Juvenile Detention Center*

*903 N. Main Street, Normal Illinois*

**I. INTRODUCTION**

On July 1, 1989, the Illinois General Assembly passed the Juvenile Detention Act. This act went into effect stating that all juveniles in need of secure detention shall be detained in a state approved juvenile detention facility. The facility shall be sight and sound separate from adult inmates and provide for separate, specially trained staff. (PA 85-1443)

The purpose of the act was to insure that municipalities house juvenile delinquents separately from adult prisoners. Separate housing for juveniles was desirable in Illinois for three reasons. First, the overcrowding of prisons by adults lessened the number of cells available for juveniles. Second, the increasingly violent nature of crimes committed by adult prisoners often required a greater separation of adults and juveniles to insure the safety of younger detainees. Third, it was believed that the rehabilitation of juveniles was more efficient when the two groups were completely separated.

Although several counties from across the state view this act as just another unfunded state mandate, the fact still remains that the act is law and must be followed. Therefore, counties must find a way to house their juvenile delinquents separately from adults, whether they want to or not. The purpose of this research then, is to compose a systematic procedure, using cost-benefit analysis, to determine the feasibility of expanding government services by adding juvenile detention facilities, as opposed to outsourcing juvenile detention to other nearby counties. Easily adaptable for municipalities across the country, this study will serve as an example of the measuring of costs and benefits to citizens of constructing a separate facility for the sole use of housing juveniles. This paper will specifically review the recent decision of the County of McLean, Illinois for discussion and evaluation.

The housing of juveniles in existing or redesigned local facilities will not be researched because it is assumed that current detention facilities are at or near maximum capacity, and the complexity of security specifications of juvenile detention facilities rule out the use of most current government buildings.

Following this section is a brief history of McLean County and its inhabitants. This history is important because the values of citizens will be called upon later when evaluating projected qualitative benefits and costs. Following the historical section, qualitative and quantitative data will be offered and organized into McLean County citizens' costs and benefits from the construction of an in-county detention facility.

Next will be an analysis of the present value of future cash flows due to the construction and operation of the McLean County Juvenile Detention Center (JDC). Assuming that juvenile crime is perpetual, cash-flow analysis of future years as well as present years is required when evaluating the desirability of a separate, distinct detention center.

Finally, all evaluated costs and benefits will be presented for review and appraisal. Admissibility of the project, then, using solely cost-benefit analysis, requires that the present value of total benefits be greater than the present value of total costs. Again, the main purpose of this research is not to complete a full cost-benefit analysis of the McLean County JDC, but to instead develop a conceptual cost-benefit framework for evaluating the construction of a new JDC using McLean County as

an example.

## II.HISTORY

McLean County (pop. 131,100) is located in central Illinois, approximately 140 miles southwest of Chicago. The county's urban center, Bloomington-Normal, houses about 75% of the county's citizens (McLean County Regional Planning Commission, 1992). Employing most in white-collar industries such as insurance, education, communications and health care, Bloomington-Normal is home to Illinois State University, Illinois Wesleyan University and corporate headquarters of State Farm, Country Companies, IM and GTE (McLean County Regional Planning Commission, 1992) (see Figure 1).

Surrounding Bloomington-Normal are several small rural communities and farmland believed to be some of the most fertile in the nation. The county boasts one of the lowest unemployment rates in the State of Illinois (4.8%, Jan. 93) and has a labor force of approximately 60% of total population (Illinois Department of Labor, Bureau of Employment Security, 1993). An average citizen of McLean County is Caucasian, age 29.2 (U.S. Bureau of the Census, 1992) and has an annual income of \$19,357 (U.S. Bureau of the Census, 1992).

**Figure 1.** McLean County Nonagricultural Employment 1992

Manufacturing:	7,625
Non-manufacturings	
Construction	1,975
Transportation, Utilities, and Communications	2,775
Wholesale	3,025
Retail	12,500
Finance, insurance, and real Estate	11,425 -
All other services	<u>15,175</u>
Subtotal:	46,875
Government:	<u>12,500</u>
Total:	<u>67,000</u>

Source: McLean County Comprehensive Annual Financial Report (1992).

In 1992, the county experienced outlays of over \$100,000 directly related to the housing of juveniles outside the county (McLean County Department of Court Services Annual Report, 1992). After being convicted in a McLean County courtroom, a juvenile

was transported by van by a McLean County sheriff to Mary Davis, a State-licensed juvenile correctional facility in Galesburg, Illinois, approximately a two-hour drive.

Because of the high costs associated with the above detention system, the Board elected to begin constructing the McLean County Juvenile Detention Center (JDC). Opening December 1, 1993, this 26-bed facility cost approximately \$4.3 million and is expected to house McLean County juveniles as well as per-diem or contracted out-of-county juveniles.

In the following section, costs and benefits (of building the JDC) to the citizens of the county will be discussed and evaluated. Later sections then will discount those costs and benefits and evaluate the decision made by the county board to build the JDC.

### **III. THE MODEL**

McLean County should invest in a juvenile detention center if the sum of the center's present-valued benefits is greater than the sum of the center's present-valued costs. What must be considered is how the JDC will be financed (see figure 2) and discussed later is how the decision to build will affect citizens in a non-quantifiable way.

#### **Figure 2. Expenditures and Revenues - McLean County JDC**

Construction:

TOTAL COST OF CONSTRUCTION:	\$ 4,300,000
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Annual Operation:

#### *Expenditures*

Court Services Department	\$ 588,550
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Facilities Management Department	<u>124,244</u>
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TOTAL ANNUAL OPERATING BUDGET:	<u>\$ 713,194</u>
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#### *.Revenues*

Reimbursement of Probation Officers Salaries	\$ 415,042
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Meal Reimbursement	11,380
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Reimbursement of Special Prisoners	<u>286,772</u>
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TOTAL ANNUAL REVENUES:	<u>\$ 713,194</u>
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Source: McLean County FY1994 Recommended Budget

As shown in Figure 2, annual revenues are expected to match annual expenditures every year that the JDC is in operation. Therefore, to "break-even" on its construction of the JDC, the county must, over the life of the JDC, receive additional revenue whose present value is equal to the cost of constructing the JDC, the initial outlay of \$4.3 million.

Before continuing the quantitative analysis, a thorough discussion of some of the JDC's revenues is warranted. Figure 2 mentions the reimbursement of probation officers' salaries, meal reimbursement and reimbursement of special prisoners. Of these, reimbursement of probation officers salaries needs to be explained. This revenue source is the only one which may be altered significantly in future years because of its political implications. The reimbursement of probation officers' salaries consists of a certain percentage of McLean County JDC probation officers' salaries given from the Association of Illinois Courts to McLean County to partially subsidize the staffing of the JDC. A problem arises in the analysis of this source's future revenue stream because the percentage of reimbursement can fluctuate from year to year. Therefore, for the best possible estimate, I have amended the following analysis to hold the current reimbursement percentage constant, realizing that the actual percentage may fluctuate above and below the estimate from year to year.

Another revenue source which has not yet been discussed is the savings from forgoing the county's current system of outsourcing detention. Without the JDC, the county would send juveniles to Mary Davis at an annual cost of \$130,000 (McLean County FY1993 Annual Budget). So the operation of the McLean County JDC would save the county \$130,000/yr. for every year that the JDC is open, because juveniles would never need to be sent to Mary Davis. Therefore, at 91% reimbursement, when annual operating revenues equal expenditures, the JDC will break-even in 33.08 years ( $\$4,300,000/\$130,000$ ).

While the model above is the significant argument for how the county "gains" and/or "loses" by the construction and operation of a McLean County JDC, the analysis does not take into account subjective qualities of the JDC which, although difficult to measure, surely have an effect on the every day lives of the citizens encompassing the JDC's neighborhood.

#### IV. COSTS

The construction and operation of the McLean County JDC represent a continuous stream of quantifiable and non-quantifiable costs to all citizens of the county. For research purposes, assumptions have been made regarding the socio-economic value placed on projects by citizens of McLean County. These values have been determined using socio-economic, demographic and cultural data. At this time, focus will be placed on qualitative or intangible costs of this project. A quantitative analysis of the feasibility of the JDC will be performed in later sections.

Total costs attributable to the JDC can be organized into

two distinct categories, individual and societal, with each being broken down into economic and non-economic costs. While groups of citizens may be affected quantifiably (taxes, property values, etc.) by this move, any costs borne by non-offending citizens will be categorized under "societal" costs. "Individual" costs represent costs borne directly by the detainee, which can either be quantitative or subjective.

## **A. INDIVIDUAL**

### **1. Economic**

The evaluation of economic individual costs begins with the fact that juvenile delinquents are sent to correctional facilities. Whether inside or outside McLean County, these juveniles will be in custody where they are mandated to attend educational classes. If the quality of education at the McLean County JDC is less than at Mary Davis, a cost will be seen by detainees as less human capital being received. Detainees currently receive adequate educational training at Mary Davis, and it is assumed that the state-of-the-art McLean County JDC will provide an equal if not better education. Assuming then that economic benefits received from these two equal educations will be at least the same, if not better at the newer JDC, economic individual costs are not seen. In fact, it is quite possible that economic individual *benefits* may be achieved. Either way, in this scenario, it is sufficient to imply that economic individual costs are nonexistent.

Should detainees actually hate school or education in general, it is also possible that costs could be incurred by detainees if they believe that they will receive better educational training in McLean County. It is safe to assume though that while they claim that they "hate" school, most juveniles wouldn't believe that they were being hurt or damaged by receiving a better education. Therefore, in this instance, the maximum cost possibly incurred by detainees is minute in size. Therefore, combined with the nonexistent costs described in the first scenario, this instance allows for a individual economic cost rating of 1-star<sup>1</sup> (The table below has been added to help the reader keep track of costs and benefits in what will be a detailed and thorough analysis. The rating system involves the subjective weighting of costs and benefits associated with the JDC, derived from an analytic discussion of each. 1-star ("\*") is considered a low ranking while 5-stars ("\*\*\*\*\*") is considered a high ranking.).

### **2. Non-Economic**

An individual's non-economic costs associated with the moving of jailed juveniles from Galesburg to Normal need to be divided into two groups: those for first-time offenders and those for repeat offenders.

**Figure 3**

	Costs	Benefits	
Individual Economic	*	***	Individual Economic
Non-economic	*	**	Non-economic
Societal Economic	*	***	Societal Economic
Non-economic	**	*	Non-economic

a. **Repeat Offenders:** A repeat offender may or may not have individual costs associated with this detention move. Should this type of detainee have emotional ties to the present system (i.e. a favorite cellmate, instructor, probation officer, etc.) the individual juvenile will see a loss directly related to the move. These ties need to be strong enough to cause a relapse or slow-down of the juvenile's rehabilitation. If painful enough, the break-up of these ties could inhibit the remediation of the juvenile, a loss ultimately suffered by the juvenile (a non-economic individual cost).

Even assuming the above to be true, non-economic individual costs are probably minimal and would only apply to those already detained. The average length of stay in detention of an Illinois juvenile is seven days (Association of Illinois Courts, 1991) and the number of offenders which "frequent" the same facility often enough to form ties before receiving an advanced sentence from the courts is minimal (Association of Illinois Courts, 1991). Therefore, it can be assumed that most repeat offenders do not form strong emotional bonds with their previous centers. And with only 160 youths sent to Mary Davis by McLean County in 1992 (McLean County Department of Court Services, Juvenile Probation Division, 1992), the non-economic individual costs associated to repeat offenders are assumed to be small.

b. **First-Time Offenders:** When initially sent to detention, costs in the form of lost freedom are seen by first-time offenders. But, no additional individual non-economic costs result from the move from Galesburg to Normal. These juveniles know no different than the situation that they are currently in, unlike repeat offenders. Therefore, individual non-economic costs resulting from the move of detainees from Galesburg to Normal, associated with first-time offenders, are nonexistent.

The above analysis of individual costs, whether economic or non-economic, show minimal costs associated with the construction of the McLean County Juvenile Detention Center and the movement of outsourced detention back to Normal. Should the quality of education and/or general detention differ significantly between the proposed detention center and the existing outsourcing unit, costs may be significantly higher. Again, assumptions are made

as to the value of non-quantifiable costs associated with a juvenile's loss of "status quo" detention. Regardless, this analysis represents only part of the costs associated with the JDC. Next, society's costs will be discussed.

## **B. SOCIETAL**

Moving now to societal (within the county) costs of a McLean County JDC requires the evaluator to have a strong understanding and/or sense of the community's socio-economic values and beliefs. For example, where a drug rehabilitation center may be a benefit to the people of impoverished Watts in southern California, the same institution would probably represent a cost to the people of a quiet, white-collar, upper-income suburb such as Crystal Lake, Illinois.

### **1. Economic**

Economic social costs of a county detention center depend greatly on the size and use of the JDC. Additional infrastructure or the renovation of current highways and the use of additional utilities are two instances which may require county citizens to fund the projects through higher property and/or sales taxes.

In McLean County's case, the 26-bed facility is in a convenient location which was previously accessible by the public. New roads will not need to be built and existing infrastructure will not need to be refurbished or enhanced. Therefore, higher property and/or sales taxes are not needed to fund site renovations for the JDC.

Considering the idea that the JDC may have an impact on utilities available for public use requires the evaluator to again examine the size and use of the detention facility. With fiscal year 1994 gas and electric expenditures projected at \$45,000 (McLean County FY1994 Annual Operating Budget), it can be argued that the JDC is nothing more than the equivalent of 15-20 additional homes built within the county. And with the county experiencing its largest growth in housing starts in years, an increase in utility demand of this small proportion due to the JDC would have an insignificant effect on the production and reserve level of utilities.

### **2. Non-economic**

An accurate determination of non-economic societal costs associated with the addition of a McLean County JDC requires a strong understanding of the community's characteristics. For example, upon hearing of the intent to build a McLean County Juvenile Detention Center, some citizens expressed their concern about the cost of the project (this aspect will be dealt with in later sections). But only a hand-full of citizens were concerned with the idea of juvenile delinquents being located in-county

instead of out-of-county.

I imagine that in general, most people believe that youth rehabilitation services are a good thing. But non-economic societal costs arise when these same people take on the attitude of "it's a good thing, but not in my backyard!" The number of these people within the county and the magnitude of their arguments must be estimated to determine non-economic societal costs of building an in-county JDC. In McLean County's case, these costs are minimal, as only a few citizens were displeased with the moving of juveniles in-county.

## **V. BENEFITS**

The construction of the McLean County Juvenile Detention Center has positive aspects which provide economic and non-economic benefits to some citizens of McLean County. And like its costs, the JDC has a quantifiable, never-ending stream of benefits (cash flow) which will be analyzed in Section V. The following section includes the benefits of McLean County broken down by individuals and the community as a whole, and broken down further into economic and non-economic.

### **A. INDIVIDUAL**

#### **1. Economic**

Economic individual benefits are received solely by employees of the JDC. Any employee who is a county citizen and who received either better wages or better benefits from the result of their employment with the county received economic individual benefits.

The size of the total individual economic benefits received from the JDC mostly depends on the number of unemployed citizens who become employed as a direct result of the building and/or operation of the JDC. If an unemployed person obtains a salaried position at the JDC, that citizen receives high benefits. If a position vacated by a new probation officer gets filled by a local citizen, that citizen also receives benefits which must be counted. Therefore, if *all* JDC or vacated positions were filled by McLean County citizens, economic individual benefits of almost \$600,000 per year may be directly created by the JDC (see Figure 4).

Since it is only fair to assume that some positions may be filled by "outsiders," or people living outside of McLean County, I a reasonable estimate of personal income added to county citizens would not be \$600,000. Since the JDC is in Normal, Illinois, which is twenty minutes (by automobile) from its nearest neighboring county and sixty minutes from its furthest, safely assume that fifty percent of the salaries will be added annually to McLean County households (\$300,000).

**Figure 4.**

<u>Department</u>	<u>Account</u>	<u>FY1994 Budget</u>
Court Services	Full-time Employees Sal.	\$ 471,490
Court Services	Overtime Pay	2,960
Court Services	TOPS Pay	17,000
Court Services	Employee Medical/Life Ins	34,200
Facilities Management	Full-time Employees Sal.	28,232
Facilities Management	Part-time Employees Sal.	6,886
Facilities Management	Overtime Pay	2,510
Tort Judgment	Employee Medical/Life Ins	3,600
Tort Judgment	Full-time Employees Sal.	26,460
	Employee Medical/Life Ins	1,800
TOTAL PERSONNEL-RELATED EMPLOYEES		<u>\$ 595,138</u>

Source; McLean County FY1994 Recommended Annual Budget

## **2. Non-economic**

Non-economic individual benefits of a McLean County JDC are realized by two separate groups, the juveniles and the center's employees. Each member of both groups have the potential to receive these benefits as a direct result of the movement of juveniles from Galesburg to Bloomington/Normal.

Remaining in-county, juvenile delinquents now have access to the state-of-the-art correctional and educational materials which may have not been provided for in Galesburg. Therefore, there is a greater potential for each juvenile to be remediated and "turn their life around." That increased potential is a benefit for each juvenile as their chance of becoming a more productive member of society is increased.

Some McLean County citizens receive non-economic individual benefits from the opening of the McLean County JDC in the form of increased self-esteem and/or pride. Any citizens who find themselves employed as a result of the JDC will see benefits from having a new job. If previously unemployed, a JDC employee would receive non-economic benefits from the increased pride and self-esteem of just having a job and contributing more to society. If previously employed, a new hire will receive benefits in the form of increased self-esteem and/or pride resulting from their obtaining the resource which led them to change jobs. The size of this benefit depends on the number of citizens employed as a result of the JDC and the number of those which were either previously employed or unemployed.

While both groups described above may receive the discussed non-economic individual benefits, their measurement is subjective at best. But one can assume that at a minimum, a small amount of benefits will be received by some members of this group.

## B. SOCIETAL

### 1. Economic

Economic societal benefits are received from the JDC as a direct result of the \$300,000 annual salaries which are classified as "Individual" or "Economic" benefits. The societal benefits represent the spillover effect of those salaries. With a *general* multiple propensity to consume of .95, I have determined what I feel to be a reasonable estimate of a *local* marginal propensity to consume (MPC), .60.<sup>2</sup> Using that local MPC of .60, a local multiplier of 2.5 is obtained (Local multiplier =  $1/(1-MPC)$ ). This local multiplier is used to determine the amount of dollars which change hands within McLean County as a direct result of the addition of \$300,000 in annual salaries (economic individual benefits) over the 40-50 year life of the JDC. Therefore, the operation of the JDC would have a total lifetime impact of between \$30-\$37.5 million, all considered economic societal benefits ( $\$300,000 \times 2.5 \times 40$ ,  $\$300,000 \times 2.5 \times 50$ ).<sup>3</sup> When determining the graphical weight to attach to the present dollar value of economic societal benefits, municipalities must consider the benefit's size relative to the population and income of the municipality. And unless the multiplier or income stream provided by the JDC is expected to change significantly in future years, economic societal benefits should not be significantly higher than economic individual benefits. Unless the socio-economic composition of the municipality is altered significantly in future years, benefits received from a certain real dollar income stream in one year should be equal to the benefits received from that same real dollar income stream in a future year. In this instance, justification for any difference between the two should only include the presence of the municipality receiving a considerable benefit from having the knowledge that the JDC will produce income streams in future years as well as present years.

### 2. Non-economic

Non-economic societal benefits are derived from the building of a county JDC in the form of better security. While some may argue that a JDC in their community may be a threat to their quiet, harmonious neighborhood, others may feel that said facility would increase security. In McLean County's case, uninformed citizens may believe that the JDC will help clean up their streets and make it possible for more elderly people to live their lives "unharassed" by kids. Whether this idea is realistic or not is irrelevant, for these uninformed citizens will probably believe that the streets are safer, thus realizing a non-economic societal benefit as a direct result of the building of the JDC.

Again, the size of the benefit received in this fashion depends on the make-up of the community being evaluated. In McLean County, most citizens do not realize that the institution is not an investigative or "watch dog" operation. They believe the JDC will be helping law enforcement agencies combat youth

crime. But the majority of the county's citizens are young themselves, and do not place as heavy emphasis on safety as more elderly people do. Therefore, the potential for benefits received can be large in McLean County (as the population ages), but in this day and age, benefits received are minimal.

## VI. CONCLUSION

The admissibility of constructing a McLean County JDC requires the present value of all costs to be less than the present value of all benefits. In examining the final table on page 20, it is obvious that subjective benefits outweigh costs (9-stars to 5). Therefore, in the case of the County of McLean, Illinois, from county citizens' perspectives, it is more feasible to build and operate an in-county juvenile detention center than continue to outsource juveniles to nearby facilities such as Mary Davis in Galesburg.

One must realize that this sort of cost-benefit approach is highly subjective. Obviously one cannot measure the cost of "not in my backyard" or the benefit of more efficient remediation of detained juveniles. But these and other sources of costs and/or benefits can be compared in relation to each other, just as one may derive more "stars" from a Mercedes Benz than a Yugo without even knowing what a "star" is. This project has high subjectivity in deciding the weighting of costs and benefits. While some may argue that subjectivity foils the validity of my argument, I reply that I have weighted the costs higher and the benefits lower than many would themselves. And the benefits still outnumbered the costs almost 2 to 1.

Another important thought, in determining the admissibility of the JDC, is that the length of time before break-even is irrelevant, as long as the project does break even. In McLean County's case, there is the initial outlay of \$4.3 million, and for each year after that, every dollar spent is matched by a dollar received. No additional taxes are implemented to fund the operation of the facility, so as long as the initial \$4.3 million is paid for, in this case by annual savings of \$130,000, the project is feasible.

It is also important to realize that this study researches the feasibility of the JDC only from the local citizens' perspective. There certainly are other perspectives which need to be examined, such as that of the State of Illinois' correctional system as a whole and that of the county's administrative and technical support departments which must find the time and resources to assist the JDC. All of these perspectives should be further analyzed before determining the final admissibility of the project. Should different perspectives provide different outcomes, the pros and cons of each should be weighted somehow and the cost-benefit technique applied again. Should the different perspectives provide more benefits (pros) than costs (cons), final admissibility should be granted. If there are more costs (cons) than benefits (pros),

the project should be denied and other avenues of detention should be researched. All in all, it is most important to remember that different people value some things differently and neither are wrong. Feasibility must depend on whether there are more *total* benefits than there are *total* costs.

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#### ENDNOTES

1. Because of the subjective style of the rating system, it is possible that many may feel that individual economic costs are completely nonexistent. A 1-star rating is given in this case just to make sure that costs are not underestimated. If there is a possibility that costs have been underestimated, admissibility of the final project could be questioned. Should costs be slightly overestimated (or at least not underestimated), there would be no doubts about the accuracy of the analysis if the project is deemed admissible.

2. Because a considerable percentage of personal income quickly "leaks" out of the county, a local MPC must be used to determine a multiplier of only in-county expenditures. Since the closest large city to Bloomington-Normal is Peoria and Champaign, IL, both between 45 and 60 minutes away in opposite directions, most county citizens' expenditures take place within the county. The MPC isn't as large as this idea would predict though because of the relatively large number of corporations within the county's limits which spend a significant amount of their non-human capital expenditures out-of-county. Other municipalities should examine their own location and economic make-up before addressing their own local MPCs.

3. When determining the graphical weight to attach to the present dollar value of economic societal benefits, municipalities must consider the amount's size relative to population and income of the municipality. And unless the multiplier or income stream provided by the JDC is expected to change significantly in future years, economic societal benefits should not be significantly higher than economic individual benefits, i.e., unless the economic composition of the municipality is altered significantly in future years, benefits received from a certain dollar income stream in one year should be equal to the benefits received from that same dollar income stream in a future year. Justification for any difference between the two should only include the presence of the municipality receiving a considerable benefit from having the knowledge that the JDC will be producing income streams in future years as well as present years.

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