

# Wasting Money, Wasting Lives

Calculating the Hidden Costs  
of Incarceration in New Jersey

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**DRUG POLICY ALLIANCE**

Reason. Compassion. Justice.

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# Executive Summary

**New Jersey leads the nation in the proportion of its prisoners sentenced for nonviolent drug law violations. In 2003, nearly half of all prisoners entering the system had been convicted for drug law violations – well above the national average of 31 percent.<sup>1</sup> The financial costs of keeping so many nonviolent criminals locked up are staggering: for the roughly 7,000 individuals entering the system in 2003 for a drug conviction, the state stands to lose nearly a half a billion dollars in direct incarceration costs. But the total price tag for New Jersey’s overuse of incarceration includes not just these direct costs. The comprehensive cost of the penal system includes additional hidden economic costs such as lost wages due to incarceration, reduced lifetime wages, lost taxable income and lost child support.**

This report, commissioned by the Drug Policy Alliance, provides the most comprehensive estimates to date of the direct and indirect costs of incarceration in New Jersey. Recent estimates indicate that nearly 15,000 people enter New Jersey’s correctional facilities each year, and each of those incarcerated individuals spends an average of nearly two years behind bars. These 15,000 individuals, incarcerated for an average of two years each, constitute an “average cohort.” This report uses the costs associated with this average cohort as a way to measure the comprehensive costs of incarceration in New Jersey. It uses updated figures of the cost of a prison bed and finds that an average cohort of prisoners entering New Jersey’s facilities costs the state more than \$1.25 billion over the course of its stay behind bars.<sup>2</sup> This translates to nearly \$700 million annually in direct incarceration expenditures.

In addition to these direct costs of incarceration, a growing body of research examines the hidden or comprehensive costs of incarceration as measured by lost wages, lost lifetime earnings and lost child support. The comprehensive costs of incarceration may run 70 percent to 150 percent higher than direct state expenditures on incarceration.<sup>3</sup> Many prisoners held jobs prior to being incarcerated. This report calculates that an average New Jersey prison cohort loses nearly a quarter of a billion dollars in wages and salary income while incarcerated. This is a quarter of a billion dollars in direct taxable income lost to the state, or nearly \$129 million each year. These lost wages would also have gone to support families and communities in various ways.

The economic penalties associated with a criminal record extend well beyond the incarcerated person’s time in prison. This report estimates that the nearly 15,000 individuals entering New Jersey’s criminal justice system in 2003 – the latest year in which detailed admissions data are available – stand to lose \$1.5 billion over the course of their lifetimes in taxable wages and salary due to the handicap a prison record creates for formerly incarcerated individuals.

Even these stark estimates understate the total economic and non-economic losses that result from New Jersey’s experiment with mass incarceration. Mass incarceration disrupts families, communities and struggling cities alike. Moreover, the costs incurred disproportionately affect the most vulnerable communities and areas. This report estimates that, among incoming prisoners convicted for a drug law violation, 70 percent are African American, despite African Americans comprising only 13 percent of the state’s total population.

Certain municipalities experience a disproportionate impact from the criminal justice system and provide a disproportionate number of the state’s prisoners – furthering the struggles of these communities. One of those communities is Newark. In order to more closely examine the costs of incarceration, an analysis of the comprehensive costs of incarceration for New Jersey’s largest city is included. Newark alone loses nearly \$17 million in taxable income each year and costs the state an additional \$90 million in incarceration expenditures as a result of the extraordinary number of young men and women from the city churning through the criminal justice system.

Altogether, the corrections system in New Jersey costs state taxpayers enormous sums of money. At a time when large budget deficits are forcing painful cuts in all areas of the state budget and a national economic downturn is causing increased instability for the most vulnerable families and communities, these staggering costs must be reexamined.

# Introduction

The incarceration rate in the United States has reached a historically unprecedented level. One in every 100 adults in the United States is currently behind bars.<sup>4</sup> Not only does the present day rate dwarf those of America's past, it far exceeds current rates found around the globe. Combined, the 16 countries comprising Western Europe incarcerate less than a fifth the number of prisoners locked up in the United States for all offenses.<sup>5</sup> The total U.S. penal population of 2.3 million results from an incarceration rate that is the highest in the world – nearly seven times that of neighboring Canada and more than four times that of Mexico.<sup>6</sup>

Despite relatively stable crime rates over the past couple of years, and an overall national crime rate holding at a 30-year low, the prison population continues to grow at an accelerating pace. Between June 2005 and June 2006, the number of people held in state and federal correctional facilities increased by more than 42,000.<sup>7</sup> This three percent annual rate of increase in the number of incarcerated Americans continues a now three-decades-long trend.<sup>8</sup> Since 1973, the incarceration rate in the U.S. has more than quadrupled.<sup>9</sup>

As is well documented, the costs borne by the rise in the prison population are not evenly shared. African Americans comprise 13 percent of the total U.S. population, yet account for 41 percent of all U.S. prisoners. Recent years have seen steep growth in the Hispanic prison population as well. America's prisoners are disproportionately minority, low-income and have low levels of educational attainment. An African-American male high school dropout, born in the late 1960s, faces a 60 percent risk of imprisonment in his lifetime.<sup>10</sup> Unsurprisingly, then, the nation's disadvantaged urban communities bear the brunt of the costs associated with mass incarceration.

What accounts for the explosion in imprisonment? Among numerous factors, a few stand out: increasing severity in sentencing, parole revocations and the impact of policies stemming from the drug war. Sentence length per offense has grown substantially, while opportunities for early release through parole have been severely cut back. As a result, more and more prisoners “max out”: complete their entire sentence and return to the streets without any post-release supervision. Meanwhile, throughout the 1980s and 1990s, drug enforcement increased dramatically. Between 1980 and 2001, the number of arrests for drug law offenses nationally nearly tripled, while the average time served for a drug law violation grew by over 70 percent.<sup>11</sup> The number of Americans locked away for drug law offenses alone is larger than the European Union's total prison population.<sup>12</sup>

Trends in New Jersey largely mirror the national pattern: In June of 2006, more than 28,000 residents were sentenced under state or federal correctional authorities, a slight increase over 2005.<sup>13</sup> In 1980, slightly fewer than 4,000 inmates entered New Jersey's prisons annually; in 2003 – the latest year in which data on incoming prisoners are available – the number had mushroomed to nearly 15,000 annually.<sup>14</sup> Non-Hispanic African Americans comprise 13 percent of New Jersey's population, yet in 2006 made up 62 percent of all offenders in New Jersey correctional institutions, and 63 percent of all male prison inmates in New Jersey.<sup>15</sup> And like much of the rest of the United States, the percentage of all new admissions for drug law offenses has grown in recent years.

Indeed, in this respect New Jersey is well ahead of other states: while the proportion of all new admissions convicted for drug law offenses has grown nationwide, *New Jersey leads the nation* in this category. Drug convictions now comprise nearly half of all new prison admissions in New Jersey. Draconian drug policies exacerbate racial disparities within New Jersey's prison population. While 62 percent of all incoming prisoners in New Jersey are African American, *nearly three out of every four* incoming prisoners convicted of a drug law violation are black.<sup>16</sup>

Given the overwhelming financial, emotional and civic costs of our nation's experiment in mass incarceration, many policymakers are seeking ways to reduce the prison population without endangering public safety. This report provides updated estimates of the cost of imprisonment in New Jersey. Unlike past analyses, this report offers comprehensive figures that go beyond the simple cost of a prison bed. The incarceration estimate includes not only the administrative costs of keeping an individual in prison, but also adds the cost of lost taxable income due to the loss of employment and wages that accompanies a period of incarceration.

Recent research has found substantial wage and employment penalties for ex-prisoners.<sup>17</sup> Given that 95 percent of individuals locked away in New Jersey prisons and jails will return to New Jersey,<sup>18</sup> the long-term *post-incarceration costs* to the state are substantial. This report estimates long-term labor market consequences of the recent rise in imprisonment in New Jersey. It also discusses the costs associated with the passage of the 1987 Comprehensive Drug Reform Act, and provides a reasonable remedy to save the state millions in revenue while reducing the devastating impact of the law on disadvantaged families and communities. The report ends with a brief examination of one particular New Jersey county, Essex, which has carried a disproportionate share of the burdens associated with the prison boom.

# Portrait of Incarceration in New Jersey

According to the New Jersey Department of Corrections, as of January 2006, 26,746 individuals are incarcerated in state correctional institutions and satellites.<sup>19</sup> This number excludes those sentenced to federal prison – the Bureau of Justice Statistics reports that in 2006 the number of New Jersey residents in Federal or State prison complexes exceeds 28,000, a four percent increase over the previous year’s population.<sup>20</sup> The population is disproportionately male (about 95 percent) and minority: nearly two-thirds of the entire correctional population in New Jersey is African American, while slightly less than a fifth is Hispanic.<sup>21</sup> According to the 2006 American Community Survey, the state’s *total* population is nearly two-thirds white, 13 percent African American, and 16 percent Hispanic.<sup>22</sup>

New Jersey leads the nation in the proportion of state prisoners admitted for drug law violations.<sup>23</sup> Over a third of all state prisoners in New Jersey are drug law violators, compared to a national average of 20 percent.<sup>24</sup> Indeed, drug offenders now nearly rival violent offenders in terms of their proportion of the state’s prison population: in 2006, individuals convicted for all violent offenses – ranging from armed robbery to rape to murder – comprised only 40 percent of the state’s inmates.

Given the longer sentences attached to violent crimes, focusing on the total prison population understates the effects of anti-drug legislation and enforcement efforts on drug law violators. Recently released data on the 2003 prison admissions cohort reveal that no other crime category can compare with drug law violations in terms of the proportion of prisoners entering the system in a given year. While the total prison population provides an interesting snapshot of New Jersey inmates at any one point in time, it conflates sentence length with offense. Admissions estimates detangle the two phenomena, revealing what types of prisoners are moving in and out of the correctional system, and for what offenses. In 2003, 14,727 prisoners were newly admitted to New Jersey facilities. Table 1 gives a demographic breakdown of the 2003 New Jersey admissions cohort.

As shown in Table 1, New Jersey’s incoming prison population mirrors the nation’s on certain characteristics, although missing data for many states prevents a proper comparison of the race and ethnicity percentages. Where New Jersey stands out is in the percentage of incoming inmates convicted of drug crimes: nearly half of all prisoners sentenced in 2003 were drug law violators, compared to under a third nationwide. Table 2 places New Jersey’s unique position in some context by showing the top and bottom five states ranked according to the percentage of incoming inmates who are drug offenders. No state rivals New Jersey; only four other states imprison 40 percent or more of their incoming inmates for drug law offenses. In many states – including Alaska, Michigan, New Hampshire, Oregon and West Virginia – drug law violators make up less than a fifth of all prison admissions.

A closer look at the population of drug law violators admitted in New Jersey reveals dramatic racial disparities. Again, African Americans make up about 13 percent of New Jersey’s population, and just under two-thirds of its total number of prisoners. Of those prisoners sentenced for a drug crime and admitted in 2003, *fully 70 percent were African American*. Thus, the tough anti-drug enforcement measures deployed in New Jersey exacerbate already skewed racial disparities in the criminal justice system.

**Table 1.**  
**2003 New Jersey Prison Admissions**

	New Jersey	National Average*
Percentage convicted for drug offenses	48	31
Percentage African American	62	N/A
Percentage Hispanic	17	N/A
Percentage male	91	89
Mean age (as of 2003)	32	33

\*National average restricted to 40 states reporting to the National Corrections Reporting Program (NCRP) in 2003. Many states fail to report ethnicity, making any comparison with New Jersey impossible.

An examination of New Jersey’s prison admissions population reveals further that certain locales contribute a disproportionate number of the state’s incoming prisoners, as other research has highlighted. In particular, two counties taken together – Essex and Camden – contribute nearly a third of all prisoners admitted to state correctional facilities in New Jersey.<sup>26</sup> Restricting the analysis to drug law violators yields similar findings: a large portion of all prisoners sentenced in New Jersey come from a few geographic areas. And – as prior research has shown – upon release the vast majority of these prisoners will return to the areas where they were originally sentenced. According to one estimate, in 2002, “Thirteen percent of all releases...returned to New Jersey’s largest city, Newark, in Essex County.”<sup>27</sup> Yet most of the financial benefits of incarceration – in the form of the jobs associated with the corrections industry – fail to redound to those areas disproportionately affected by the prison boom. In 2001, over 60 percent of male prisoners from Essex County, and nearly 90 percent from Camden County, were housed in other counties throughout the state.



**Table 2.**  
**Percentage of Prison Admissions**  
**for Drug Crimes, 2003\***

Top 5:

<b>New Jersey</b>	<b>48</b>
Maryland	44
New York	43
Oklahoma	42
Louisiana	40

Bottom 5:

Michigan	18
Oregon	17
West Virginia	14
New Hampshire	13
Alaska	4

National Average 31

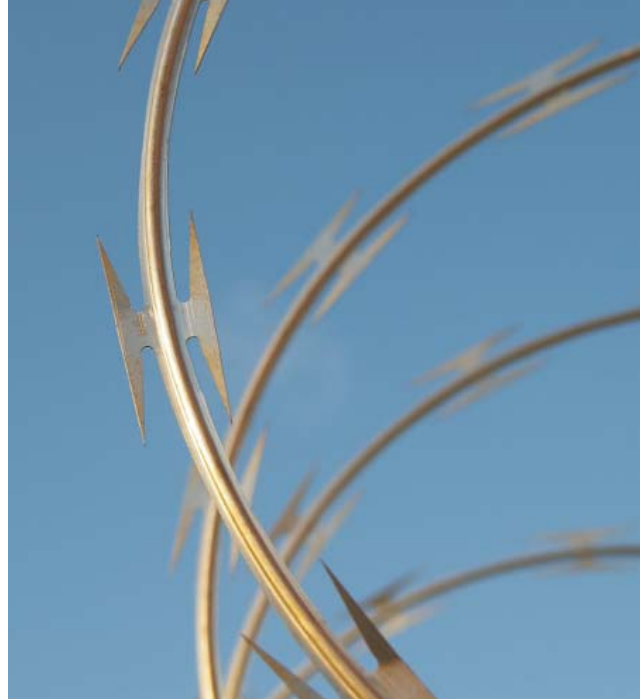
\*Rankings restricted to the 40 states reporting to the National Corrections Reporting Program (NCRP) in 2003.

Drug convictions now comprise nearly half of all new prison admissions in New Jersey. Draconian drug policies exacerbate racial disparities within New Jersey’s prison population. While 62 percent of all incoming prisoners in New Jersey are African American, nearly three out of every four incoming prisoners convicted of a drug law violation are black.

# Costs of Incarceration in New Jersey

It now costs the state a total of \$46,880 to incarcerate a prisoner in New Jersey for one year.<sup>28</sup> Based on this estimate, the costs solely to incarcerate the 14,727 prisoners who entered the system in 2003<sup>29</sup> top \$690 million – over two-thirds of a billion dollars per year. Of course, the average length of stay in a New Jersey correctional facility is longer than 12 months: our analysis of the 2003 New Jersey release cohort reveals that average time served for the cohort’s current sentence was 22 months. If the mean time served remains relatively constant for the 2003 incoming cohort, the prison bed costs will exceed \$1.25 billion for this cohort alone.

Yet the price of a prison bed is not the only cost associated with incarceration. Many prisoners worked in the above-ground economy prior to their conviction, providing income taxes to the state of New Jersey and much needed support to their friends and family members. Using a variety of data sources along with the procedure outlined in Dr. Bruce Western’s 2006 analysis,<sup>30</sup> this report calculates the net lost wages due to incarceration for a typical white male and African-American male prisoner. Hispanic prison population estimates were not possible due to low sample sizes in data available for analysis; for a detailed discussion of the estimation procedure, please see Appendix A at the end of this report.



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## Study Methodology

Briefly, these costs were estimated by using the average hourly wages earned by inmates just before incarceration for different race and age groups reported in Western (2006). Then annual earnings were estimated from these hourly wages assuming a full-time, full-year work schedule. Recognizing many prisoners may not have been employed at all, or may have held less than full-time, full-year employment, data were used from a national survey of prison admissions that report whether an individual was employed at the time of admission, and if employed, whether they worked part- or full-time. The fraction of

new prison admissions with no employment, part-time and full-time employment nationally was identified, assuming similar breakdowns in New Jersey. “Zero wages” was allocated to the estimated number of New Jersey admissions not employed and the full annual earnings estimate to those estimated to have been employed full-time, and a fraction of the annual earnings were allocated to those estimated to have been working part-time. Summing up these figures, net lost wages due to incarceration are approximately \$8,737 per inmate per year.



**Table 3.  
New Jersey's Incarceration Costs\***

**All prisoners**

Prison bed costs:		
Per prisoner, per year	\$	46,880
Cost per admissions cohort, per year	\$	690,401,760
Estimate for total length of stay per cohort	\$	1,265,736,560
Lost wages due to incarceration:		
Per prisoner, per year	\$	8,737
Cost per admissions cohort, per year	\$	128,669,799
Estimate for total length of stay per cohort	\$	235,894,632
<b>Total cost of incarceration:</b>	<b>\$</b>	<b>1,501,631,192</b>

**Drug offenders only**

Prison bed costs:		
Per prisoner, per year	\$	46,880
Cost per admissions cohort, per year	\$	331,394,720
Estimate for total length of stay per cohort	\$	469,475,853
Lost wages due to incarceration:		
Per prisoner, per year	\$	8,737
Cost per admissions cohort, per year	\$	61,761,853
Estimate for total length of stay per cohort	\$	87,495,958
<b>Total cost of drug incarceration:</b>	<b>\$</b>	<b>556,971,812</b>

\*Detailed methodology provided in Appendix A.

It now costs the state a total of \$46,880 to incarcerate a prisoner in New Jersey for one year. Based on this estimate, the costs solely to incarcerate the 14,727 prisoners who entered the system in 2003 top \$690 million – over two-thirds of a billion dollars per year.

While the *per prisoner* sum is relatively modest – given the fact that many prisoners either did not work or worked part-time or in low-wage occupations prior to imprisonment – the *aggregate* impact is dramatic. If we assume that the \$8,737 amount applies to all prisoners (not just male African Americans and whites), then the aggregate lost wages for the 2003 cohort is \$129 million per year. Multiplied out over the mean length of stay for those entering New Jersey prisons in 2003, the total in lost wages approaches one quarter of a billion dollars. Housing 14,727 prisoners for nearly two years each, then, results in \$1.5 billion in direct state expenditures and taxable income lost.

For the cohort entering prison in 2003, the total costs of incarceration – that is, the costs associated with paying for the prison bed along with the loss of wages – exceeds \$1.5 billion, or over three quarters of a billion dollars per year. The drug law violator estimates assume the same cost per prison bed as for all prisoners; this may overstate the cost a bit given the nonviolent nature of their offense (thus perhaps less money needs to be spent on security for drug law violators). We do correct for the shorter length of stay for those convicted on drug law violations: NCRP data reveal that prisoners exiting New Jersey's prisons in 2003 who had been convicted for a drug law violation averaged 17 months behind bars. Each incoming cohort of drug law violators costs the state over half a billion dollars in lost taxable income and direct expenditures over the course of its period of incarceration. Annually, this translates to nearly \$400 million. Table 3 provides detailed estimates of the costs associated with incarceration for all offenders and for those convicted of drug crimes.

## Hidden Costs: Incarceration and Lost Child Support

Even adding the cost of lost wages into comprehensive incarceration calculations understates the true costs of mass incarceration in New Jersey. These figures fail to account for the deleterious effect incarceration has on child support payments. National estimates suggest that 55 percent of those in state custody and 63 percent of those in federal custody were parents of minor children.<sup>31</sup> While comprehensive national and New Jersey estimates are lacking, data from Massachusetts and Colorado found between 22 percent and 28 percent of inmates and parolees were involved with the child support system.<sup>32</sup> In these states, the average monthly child support obligation among inmates with child support orders was \$250.

Without significant opportunity to earn wages while incarcerated, child support obligations grow dramatically over the period of incarceration. In Massachusetts, parents who entered prison *already* owed an average of roughly \$10,500, and amassed another \$20,000 in child support debt, plus a 12 percent interest charge, and a six percent penalty charge. It follows then that such parents would leave prison with an average of roughly \$40,000 in child support debt. In Colorado, a recent study revealed that, together, individuals who indicated prior incarceration in the case record owed more than \$212 million, or roughly 18 percent of the total arrears in the state.<sup>33</sup>

Under the Bradley Amendment, federal law prohibits the reduction or elimination of child support arrears once accumulated. New Jersey law does allow judicial discretion to suspend child support orders based on decreased earnings capacity pending release, but only if prisoners request a modification to their orders before arrears accumulate. Many prisoners only realize the scope of their accumulated debt at release, after it is too late. Child support debt compounds the re-entry challenges facing former inmates – many of whom must also pay restitution, court fees and obtain counseling at their own expense. Parents can have as much as 65 percent of their take-home pay garnished to satisfy support orders, and payment of child support may be a condition of parole.<sup>34</sup> Again, while precise estimates are unavailable for New Jersey, we assume that similar to other states' prisoners, many New Jersey inmates fall behind on their child support obligations while incarcerated, adding to the total financial cost of a period of incarceration.

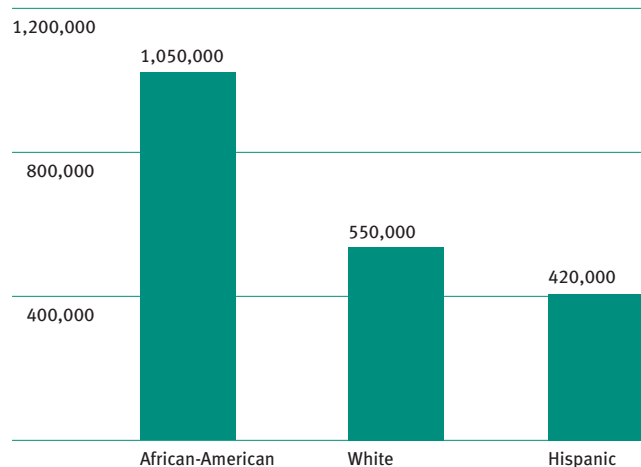
## Hidden Costs: Children with Incarcerated Parents

Of course, these financial estimates ignore the many non-pecuniary ways in which a prison sentence profoundly disrupts lives. Overall, 2.1 percent of all minors in the United States have one or both parents in prison.<sup>35</sup> Between 1991 and 2000 the number of U.S. children with an incarcerated parent rose from 936,500 to more than 1.5 million – a 64 percent increase in just one decade. Figure 1 displays the number of children in the U.S. with a father sitting behind bars.

As shown, recent estimates indicate that nearly one out of every 10 African-American children has a father in prison or jail, a nearly five-fold increase since 1980.<sup>36</sup>

The extensive familial connections of our nation's prisoners entangle millions of Americans in the criminal justice system. Nearly half of all incarcerated parents report living with their children prior to entering the criminal justice system.<sup>37</sup> In New Jersey – similar to other states – the economic and non-economic burdens caused by mass incarceration disproportionately affect already disadvantaged communities.

**Figure 1.**  
Number of Children with Incarcerated Fathers, 2000



Source: Adapted from Figure 6.2 of *Punishment and Inequality in America*.

# Post-incarceration Costs of Imprisonment: Employment and Wages

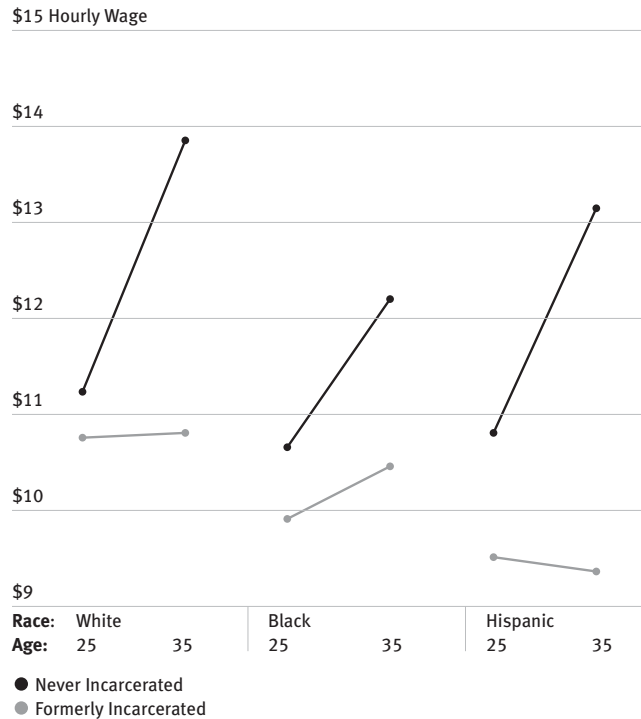
The negative economic consequences of imprisonment do not end at the moment of release. Formerly incarcerated people face an array of challenges as they attempt to reorder their lives and regain a foothold in the labor market.

Finding a job is usually the first challenge facing many formerly incarcerated persons. Innovative audit studies using matched pairs of surveyors have unearthed widespread discrimination on the part of employers when it comes to the hiring of ex-offenders. One study focusing on the Milwaukee labor market found that whites with a criminal record were half as likely to be called back for a job interview compared to white applicants with no record. Among African Americans, employers preferred non-ex-offenders by nearly a 3-to-1 margin. Indeed, formerly incarcerated African Americans face a daunting challenge when it comes to securing employment: the same Milwaukee study revealed that employers called back white ex-offenders at higher rates than African-American *non*-offenders.<sup>38</sup> Similar studies conducted in New York City have approximated these results.<sup>39</sup> While an audit study of employer practices in New Jersey has yet to be conducted, there is little reason to suspect that the penalties associated with offender status would be any lower.

Those individuals who have been through the prison system and who are lucky and enterprising enough to secure employment then face flatter earnings trajectories than their counterparts who have never been incarcerated as they settle for low-paid jobs with little chance of advancement. As seen in Figure 2, for individuals with no criminal convictions, annual earnings grow throughout their late 20s and into their 30s. For those who have been incarcerated, wage growth is halted. Moreover, the base level of wages attained by ex-inmates is substantially lower than non-convicts, thus widening the pay gap over time.<sup>40</sup>

For individuals with no criminal convictions, annual earnings grow throughout their late 20s and into their 30s. For those who have been incarcerated, wage growth is halted. Moreover, the base level of wages attained by ex-inmates is substantially lower than non-convicts, thus widening the pay gap over time.

Figure 2. Effect of Incarceration on Lifetime Wage Growth



Source: [Punishment and Inequality in America](#) Figure 5.2

When combined with the direct effects of a period of incarceration, the aggregate impact of these labor market penalties is substantial. A recent study found that the effect of time spent in prison on post-release earnings is around \$100,000 per male prisoner. That is, each male prisoner can expect to see his earnings reduced by approximately \$100,000 throughout his prime-earning years, following his period of incarceration.<sup>41</sup> Assuming the economic costs of imprisonment for females approximate those of males, the 14,727 inmates entering New Jersey's correctional facilities in 2003 can expect to lose about \$1.5 billion in earnings post-release. For recent cohorts of drug law offenders, this translates to over \$700 million in wages lost over the lifetime. This is in addition to the costs directly associated with incarceration, discussed in the preceding section. And not only will the formerly incarcerated individuals suffer, but the state suffers as well: these post-release lost earnings mean 1.5 billion fewer dollars to tax.

# New Jersey's Comprehensive Drug Reform Act (CDRA)

In 1986, New Jersey enacted CDRA, one of the harshest laws of its kind in the country. Since then, the New Jersey legislature has enacted numerous new drug penalties or increased existing penalties.<sup>42</sup> In 1986, about a tenth of the prison population was charged with a drug law violation; today, the proportion has grown to roughly a third.<sup>43</sup> As part of the legislation, law enforcement was charged with cracking down on drug-related activity within 1,000 feet of any school building – the so-called “drug-free school zone” portion of the Act. This portion of the bill led to a crackdown on drug activity in crowded, urban, disproportionately minority locales. As a result, “Nearly every offender (96 percent) convicted and incarcerated for a drug-free zone offense in New Jersey is either Black or Hispanic.”<sup>44</sup>

Did the “drug-free school zone” legislation reduce drug abuse or improve public safety? The answer is an emphatic “no” according to a report issued by the New Jersey Commission to Review Criminal Sentencing in 2005. The report found the zones to be ineffective in reducing drug activity within their areas. What the zones did achieve was an “urban effect” whereby the zones blanketed most of densely populated urban areas making those areas one large enhanced penalty zone.<sup>45</sup> This created a disproportionate impact on urban minorities who received harsher penalties for their offenses than suburban and rural white offenders who are much less likely to be caught in the smaller suburban and rural zones.

These findings are similar to those from other states. A Massachusetts study found that only one percent of the arrests made in “drug-free school zones” involved drug sales to a youth, while nearly three quarters of the arrests occurred during periods when school was out of session.<sup>46</sup> Studies in states as varied as Connecticut and Utah point to the ineffectiveness of these statutes, and the racial targeting that accompanies them.

We can indirectly assess the effectiveness of New Jersey's tough drug laws by comparing drug use in New Jersey to other states. Table 4 provides measures of drug use among New Jersey residents and those of its nearest neighbors for 2004.<sup>47</sup>

**Table 4.**  
Percentage Reporting Any Illicit Drug Use In the Past Month By State, 2004\*

Total population:	
New York	9.1
Delaware	8.6
Pennsylvania	7.8
<b>New Jersey</b>	<b>6.9</b>
<i>National average</i>	<i>8.1</i>
Youth 12-17 only:	
Delaware	12.0
New York	11.5
Pennsylvania	10.7
<b>New Jersey</b>	<b>10.4</b>
<i>National average</i>	<i>10.9</i>

\*Table B.1 of the SAMHSA website. Available at:  
<http://www.drugabusestatistics.samhsa.gov/2k4State/appB.htm#TabB.1>

As displayed, monthly drug use among all New Jersey residents is slightly lower than drug use in neighboring states, although the difference between New Jersey and Pennsylvania is only a fraction of a percent. Compared to the nation as a whole, New Jersey's illicit drug use is 1.2 percentage point lower – significant perhaps, but certainly not dramatic.

Of course, the “drug-free school zone” legislation's aim was to reduce drug use and exposure among youth. New Jersey's drug use rates among youth approximate the national average: In 2003 and 2004, slightly over one in ten U.S. minors ages 12 to 17 reported using an illicit drug in the past month, similar to the proportion of New Jersey minors.

Meanwhile, what is the financial impact associated with New Jersey's aggressive targeting of drug offenders? Using 1986 as a baseline, the increase in costs due to rising drug admissions following the passage of CDRA can be calculated.

# The Case of Newark

The estimates presented below approximate the financial costs of increased drug admissions to New Jersey’s prisons since the passage of the Act. While it cannot be assumed that all of the rise in prison admissions for drug law offenses since the 1980s stems directly from CDRA (the proportion of all offenders convicted of drug crimes was rising prior to 1987), the steep rise in admissions following the passage of the Act points to some role of the legislation in putting more individuals behind bars for nonviolent, drug-related crimes.

Analysis of the NCRP data indicates that just 24 percent of inmates entering New Jersey’s prisons in 1986 were convicted of a drug crime. By 2003, that fraction had doubled. Over the same time period, the total size of the prison admissions cohorts grew from 7,306 to 14,727. As Table 3 reveals, the direct incarceration costs associated with locking up a single cohort of drug offenders tops \$469 million over the course of that cohort’s time behind bars. And each year brings a new cohort of inmates into the prison system.

The huge percentage of New Jersey prisoners locked up for nonviolent, drug-related crimes offers enormous potential for cost savings. If New Jersey reformed its sentencing laws to reduce sentences for drug law violations and/or increased alternatives to incarceration, millions of dollars would be saved. If the number of drug law violators entering New Jersey’s correctional facilities was halved due to sentencing reforms that allowed for increased alternatives to incarceration, the state would stand to save more than \$165 million in annual direct expenditures – along with another \$30 million in taxable income (see Table 3).

If the number of drug law violators entering New Jersey’s correctional facilities was halved due to sentencing reforms that allowed for increased alternatives to incarceration, the state would stand to save more than \$165 million in annual direct expenditures – along with another \$30 million in taxable income.

Newark is New Jersey’s largest city, and sends a disproportionate number of its residents to the state’s prisons and jails. Newark’s county, Essex, contributed 16 percent of the total incoming prisoner population in 2003 (based on authors’ examination of 2003 NCRP data). A recent report indicates that 13 percent of released New Jersey prisoners return to Newark.<sup>48</sup> If we assume that 13 percent of all incoming prisoners come from Newark, that means that more than 1,900 Newark residents enter state correctional facilities each year. These individuals are nearly all minority – of the Essex county residents entering prison in 2003, only five percent were white – and just under half enter for drug crimes. What does this cost the city?

Using the estimates provided in Table 3 as a guideline, the 1,915 estimated Newark residents entering prison in 2003 cost nearly \$90 million per year simply to house in a correctional facility. Assuming these individuals serve an average of 22 months, the direct costs of a prison bed for the entire cohort’s length of stay rises to just under \$165 million. The lost wages due to incarceration – and the loss of tax revenue for the city of Newark – adds another \$16.7 million annually onto the costs (1,915 multiplied by the estimated \$8,737 in wages lost per year per inmate). If we multiply the annual cost by the average length of a prison stay for the cohort, the wage loss tops \$30.6 million. Thus, the total loss in wages and direct costs for the 2003 entering prison cohort is just over \$195 million – *just for the prisoners from Newark*. The post-incarceration penalties associated with a prison sentence lead to further losses for Newark’s disproportionately poor, disproportionately minority residents.

**Table 5.**  
**Newark’s Incarceration Costs\***

~ 1,915 incoming prisoners, per year:

Prison bed costs:		
Per prisoner, per year	\$	46,880
Cost per admissions cohort, per year	\$	89,775,200
Estimate for total length of stay per cohort	\$	164,587,867
Lost wages due to incarceration:		
Per prisoner, per year	\$	8,737
Cost per admissions cohort, per year	\$	16,731,355
Estimate for total length of stay per cohort	\$	30,674,150
<b>Total cost of incarceration:</b>	<b>\$</b>	<b>195,262,017</b>

\*Detailed methodology provided in Appendix A.

# Conclusion

**The prisoners entering New Jersey's correctional facilities in 2003 will lose nearly an estimated quarter of a billion dollars in wages by the time they get out. Meanwhile, the state will pay \$1.26 billion just to keep them in prison.**

Nearly half of all prisoners now entering New Jersey prisons have been convicted of nonviolent drug law violations. The costs associated with housing just drug law violators average \$469 million per admissions cohort.

These figures are staggering – yet they ignore the post-incarceration labor market penalties faced by the typical inmate. It is estimated that the 2003 admissions cohort stands to lose around \$1.5 billion in lost wages over their lifetimes as they struggle through their prime earning years trying to gain a foothold in the labor market.

These are enormous sums of money. Yet they provide only a conservative, measurable account of the costs associated with New Jersey's experiment in mass incarceration, driven largely by harsh and ineffective drug laws. Disrupted families, communities torn apart by the churning of individuals into and out of prison complexes, political effects of the state's felony disenfranchisement laws – these too count in any comprehensive discussion of the costs of maintaining the present prison population. This report only provides estimates of measurable financial costs; we can only speculate how high the true social costs are to the state and its residents.

The list provided below highlights the major findings from this investigation of the hidden costs associated with New Jersey's experiment with mass incarceration for nonviolent, low-level drug law violations:

- Incarceration in the United States has reached historically unprecedented levels with 1 in 100 adults now behind bars. Increased penalties and harsh mandatory minimum sentences, especially for nonviolent drug law offenses have resulted in the U.S. having the highest incarceration rate in the world.
- Trends in New Jersey mirror the national pattern. In 1980, slightly fewer than 4,000 prisoners entered New Jersey prisons annually; by 2003, that number had mushroomed to nearly 15,000 annually.
- Since the enactment of New Jersey's Comprehensive Drug Reform Act in 1986, the proportion of the prison population incarcerated for nonviolent drug law violations has ballooned from about one tenth to about one third.
- New Jersey leads the nation in the percentage of people entering prison for drug law offenses, 48 percent, well above the national average of 31 percent.
- New Jersey also leads the nation in the percentage of individuals incarcerated for drug law violations (36 percent).
- The direct costs of this experiment in mass incarceration are huge, but the direct costs alone vastly underestimate the total comprehensive costs of incarceration, which may be 70 percent to 150 percent higher than direct expenditures. Unlike past analyses, this report offers comprehensive figures that go beyond the simple cost of a prison bed. The report calculates costs for lost wages for individuals while they are incarcerated, lost life-time wages that result from the economic disadvantage that people face after release from incarceration and the lost taxable income for the state that results from these lost wages.
- Each year, nearly 15,000 people enter New Jersey's correctional facilities and each of those individuals spends an average of nearly two years behind bars. This group of prisoners constitutes an "average cohort." An incoming cohort of New Jersey prisoners costs the state more than \$1.25 billion in *direct* incarceration costs over the length of its stay behind bars, or over \$690 million dollars annually.
- New Jersey spends more than \$330 million a year just to incarcerate drug law violators.



- In addition to direct costs, incarceration accrues *indirect* costs including the lost wages of those incarcerated. Those lost wages mean lost taxable income for the state. New Jersey loses nearly a quarter of a billion dollars in indirect costs in the form of lost wages and taxable income per admissions cohort over the length of their time behind bars or almost \$129 million a year.
- Within the overall cohort, drug law violators alone, with a lower average prison stay of 17 months, cost the state \$87 million in lost wages and taxable income over the course of their incarceration, or \$61 million per year.
- Additional indirect costs associated with incarceration are the lost *lifetime* wages after release from incarceration. Over the course of their lifetimes, the nearly 15,000 prisoners entering New Jersey facilities each year will lose \$1.5 billion in wages and salary as a result of their incarceration. Thus, \$1.5 billion in taxable income is lost to the state.
- Within the overall cohort, drug offenders alone will lose \$700 million in lost lifetime wages, thus losing the state that amount in taxable income.
- New Jersey's overuse of incarceration has had a disparate impact on the most vulnerable communities and localities. Although African Americans and Hispanics comprise only 29 percent of the state's population, they comprise 79 percent of those admitted to prison. Of those admitted to prison for drug law offenses in 2003, 70 percent were African American. Two cities, Newark and Camden, contribute nearly one third of all prisoners admitted to New Jersey correctional facilities.
- The disproportionate impact of New Jersey's harsh drug laws place enormous burdens on New Jersey's most vulnerable communities. Lost wages from Newark residents incarcerated tops \$30.6 million. This is money that would have provided tax revenue to Newark and supported families and communities.
- Expanding alternatives to incarceration or reduced sentences for nonviolent offenders could save the state hundreds of millions of dollars annually.

# Appendix A:

## Calculating Incarceration Costs

The estimates of lost wages due to incarceration rely on the average reported wages of workers and inmates (at the time of their incarceration) in Western’s *Punishment and Inequality in America* (2006: p. 100). First, hourly earnings reported in Western (2006) are converted to full-time, full-year annual earnings based on the assumption of a 40-hour work week and a 50-week year. Estimates of earnings were reported by race and education level. Because data on the educational composition of New Jersey inmates or new admissions to New Jersey correctional facilities were not available, national estimates of the educational and racial composition of jail inmates and of new prison admissions were used to collapse the education-specific annual earnings to the aggregate annual earnings for all black and white men.

In this second step, the national distributions of educational attainment were used as weights in computing these average earnings for black and white men. Third, multiplying these average annual earnings for black and white men by the number of black and white men admitted to New Jersey facilities in 2003 (based on NCRP data), the net lost wages due to incarceration were estimated, assuming all were working a full-time, full-year schedule at the time of incarceration. But this naïve estimate is likely to overstate the net earnings lost, as many men may have been un- or under-employed at the time of incarceration. To account for differences in employment at the time of incarceration, information was

incorporated from the *1997 Survey of Inmates in State and Federal Correctional Facilities* that asked whether individuals were employed at the time of incarceration, and whether they worked full time, part time or occasionally. “Zero earnings” was allocated to individuals reporting they were not employed. Those working full time were allocated the full annual earnings estimate (assuming a 40-hour/50-week schedule), while part-time workers were allocated half that amount, and occasional workers were allocated one-fourth the annual earnings of a full-time worker.

Finally, using race-specific distributions of employment status, a weighted sum was generated of the annual earnings lost due to new incarcerations annually that better accounts for variation in annual work hours. These final estimates are inflated by the CPI wage inflator to get figures in 2006 dollars, rather than the 2003 dollar value of the original wage estimates reported in Western (2006).

Supplementary information on the estimates of the per-person loss of annual earnings due to incarceration is presented in the following table. Here, it is shown how the annual earnings loss differs under different assumptions of usual hours per week worked and usual weeks per year worked for both black and white men, using the educational composition of both new inmates and all current jail inmates. Results presented in Table 3 of the report assume that the estimates for men also apply to women inmates.

### Summary of average per person, annual, net earnings losses in 2007 dollars under differing assumptions of attachment to work, by race

<b>All Inmates*</b>						
	<b>Full year (50 weeks)</b>			<b>Half year (25 weeks)</b>		
	40 hours	30 hours	20 hours	40 hours	30 hours	20 hours
White	\$ 21,626	\$ 16,219	\$ 10,813	\$ 10,813	\$ 8,110	\$ 5,406
Black	\$ 14,741	\$ 11,056	\$ 7,371	\$ 7,371	\$ 5,528	\$ 3,685

<b>New Admissions**</b>						
	<b>Full year (50 weeks)</b>			<b>Half year (25 weeks)</b>		
	40 hours	30 hours	20 hours	40 hours	30 hours	20 hours
White	\$ 20,982	\$ 15,737	\$ 10,491	\$ 10,491	\$ 7,868	\$ 5,246
Black	\$ 14,670	\$ 11,003	\$ 7,335	\$ 7,335	\$ 5,501	\$ 3,668

\* Assuming the composite educational profile of all inmates.  
 \*\* Assuming the composite educational profile of new admissions.

Sources: Western, Bruce. 2006. *Punishment and Inequality in America* (p. 100); Bureau of Justice Statistics. *Survey of Inmates in State and Federal Correctional Facilities, 1997*; Bureau of Justice Statistics. *National Corrections Reporting Program, 2003*.



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# About the Drug Policy Alliance

## DPA

The Drug Policy Alliance is the leading national organization advocating for effective drug policies based on science, compassion, health and human rights. It is headquartered in New York and has offices in California, New Jersey, New Mexico and Washington, D.C.

## DPA New Jersey

Drug Policy Alliance New Jersey is dedicated to making New Jersey a leader in drug policy reform. New Jersey's ineffective and counterproductive drug policies have increased the harms related to drug use and wasted taxpayers' money. Implementing evidence-based public health policies and fair and effective criminal sentencing will strengthen New Jersey's families and communities and improve the health and safety of all New Jersey's people.

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