

Compensation Board
Federal Inmate Overhead Recovery Methodology Options

Approved by the
Compensation Board
and the
Auditor of Public Accounts
September 21, 2005

Table of Contents

Executive Summary	Page 1
Options Summary	Page 2
Study Participants	Page 3
Authority for Report	Page 4
Background	Page 5
Summary of Jail Funding in Virginia	Page 6
Task Force Discussion Points	Page 7
Appropriation Act Language	Page 10
Appendix A—Detail of Options	Pages 11–20
Appendix B—Responses to Exposure Draft	Pages 21–26
Appendix C—Cost Allocation Plan Requirement for Housing Federal Inmates	Page 27

Executive Summary

The Compensation Board, in implementing the overhead recovery methodology, is acting on behalf of the General Assembly in recovering some of the Commonwealth's funding which either indirectly or directly supports the housing of federal inmates.

In particular, the lack of local contributions to operate the jail is seen as particularly problematic. For all jails in the Commonwealth, locality-operating costs in FY03 averaged \$21 per inmate day. The highest locality cost was \$89 per day in Fairfax while four regional jails (Central Virginia, Northern Neck, Piedmont and Rockbridge) and one local jail (Charlotte County) reported no locality operating revenue, meaning that the cost to house local responsible inmates was borne by the Commonwealth and/or federal government.

Staff of the Compensation Board and the Auditor of Public Accounts developed four options to the current recovery method (pp. 2) with recovery ranging from \$39,740 to \$10,302,000 depending on which option is chosen. In FY03 the current methodology recovered \$7,237,000.

Options Summary *

	Overhead Recovery (W/Exemptions)	Overhead Recovery (No Exemptions)	Ref. Pg #
1. FY 2003 AMOUNT RECOVERED (Current Methodology)	<u>\$7,236,843</u>	<u>\$9,811,873</u>	
A. Commonwealth Grants, Office / Vehicle And Other Reimbursements	\$152,716	\$258,615	11
B. Commonwealth Construction Reimbursement	\$164,265	\$164,265	12
C. Recovery of Commonwealth Funded Insurance Premiums	\$39,740	\$67,298	13
Subtotal Options 1 A-C	<u>\$7,593,564</u>	<u>\$10,302,051</u>	
2. Overhead Recovery at the State Responsible Per - Diem Rate (\$14 per day)	\$4,548,992	\$7,703,444	15
3. Recovery at the Billing Rate Less a Credit for the Locally Funded Personnel Costs @ 33.34 Percent	\$4,811,967	\$7,420,232	17
4. Recovery of a Percentage of the Difference Between Operating Revenues and Operating Costs (Regional Jails Only)	\$68,578	\$1,145,285	18
5. Elimination of FICR Exemption At Three Jails			
With Option 1 – Increases state’s recovery by	\$2,708,487		
With Option 2 – Increases state’s recovery by	\$3,154,452		
With Option 3 – Increases state’s recovery by	\$2,608,265		
With Option 4 – Increases state’s recovery by	\$1,076,707		21

Options 1 - 3 are Mutually Exclusive
Options 4 can be added to Options 1 - 3

*** All Estimates use FY '03 Jail Cost Report Data**

Study Participants

Roy Cherry, Superintendent, Hampton Roads Regional Jail
George McMillan, Sheriff, Roanoke City
Beth Arthur, Sheriff, Arlington County
John Higgins, Superintendent, Rockbridge Regional Jail
Fred Hildebrand, Superintendent, Northwestern Regional Jail
Thomas Jones, Sheriff, Charlotte County
Mary Ann Curtain, Director, Int. Government Relations, Chesterfield County
Elton Blackstock, Asst. Superintendent, Blue Ridge Regional Jail
Bernard Caton, Legislative Director, City of Alexandria
Jim Shepard, Audit Director, Auditor of Public Accounts
Janet Areson, Director of Policy Development, VML
Sharon O'Hare, Director of Public Finance, VACO
Bruce Haynes, Executive Secretary, Compensation Board
Richard Lampman, Audit and Reporting Supervisor, Compensation Board
Wade Jewell, Manager, Budget and Finance, Compensation Board
Joe Kimec, External Auditor, Compensation Board

Authority for Report

Item 63

Q. The Compensation Board and the Auditor of Public Accounts shall develop options for a revised cost recovery methodology to recover all costs reimbursed by the Commonwealth, including capital costs, associated with housing federal inmates, District of Columbia inmates or inmates from other states. The Compensation Board shall submit options for a revised methodology and estimated recovery amounts by source to the Governor and Chairmen of the House Appropriations and Senate Finance Committees no later than October 15, 2005.

Background

During the 1999 General Assembly session, concern was raised regarding the housing of federal and out of state inmates in local and regional jails. Particularly, the use of Commonwealth funding through correctional staff salaries and fringe benefits as well as capital construction funds to support the housing of inmates, which generate per diem income for the jail without any of those funds being returned to the Commonwealth, was seen as problematic.

As a result, the 2000 Appropriation Act included the following language:

J. 1 The Compensation Board shall recover and deposit into the general fund 50 percent of the federal share of state-funded personnel costs based on the percentage of contract federal prisoners to total prisoners held in a local or regional jail.

The ability to exempt inmate capacity from this recovery process was also included:

The provisions of this paragraph shall not apply to any local or regional jail where the cumulative federal share of the capital cost exceeds the Commonwealth's cumulative capital contribution.

With a solid history of accurate revenue and expenditures for Virginia's local and regional jails, the Compensation Board's annual Jail Cost Report was utilized beginning in 2002 following a change in the methodology for calculating the overhead recovery as noted in the Appropriation Act from that session:

H. 1 The Compensation Board shall recover the state-funded personnel costs associated with housing federal inmates, District of Columbia inmates or contract inmates from other states. The Compensation Board shall determine, by individual jail, the amount to be recovered by the Commonwealth by multiplying the jail's current inmate days for this population by the proportion of the jail's per inmate day salary funds provided by the Commonwealth, as identified in the most recent Jail Cost Report prepared by the Compensation Board.

This methodology is currently in place and for fiscal year 2003 it captured \$7,236,843 for the Commonwealth's general fund.

Summary of Jail Funding in Virginia

In FY03, the Compensation Board provided funding to 55 Sheriff run local jails and 18 regional jails. Total expenditures (including capital costs) to house inmates in these facilities were \$539,460,000 of which the Commonwealth provided \$250,513,000; localities contributed \$237,097,000 while federal monies totaled \$37,206,000. Other monies such as inmate telephone commissions and medical co-payments contributed \$14,724,000.

The Compensation Board provided the largest share of revenue from the Commonwealth. The Board reimburses jails on a per diem basis for housing state responsible inmates and for certain staff costs. In FY03 the Compensation Board funded \$59,251,000 in per diems and \$179,137,000 in salaries.

The Compensation Board has been producing a Jail Cost Report annually since 1999 reporting on FY98 data. During that time we have seen personal services cost (the largest component of a jail's operating expenditures) rise from a statewide average of \$34.86 per inmate day in FY98 to \$37.36 in FY03. While those increases have taken place, the Commonwealth's salary revenues to local and regional jails has remained relatively constant contributing \$20.09 in FY98 and \$20.25 in FY03.

Over these six years Commonwealth funding has fallen from a high of 57% in FY99 to 46% in FY03 while local funding has necessarily risen from 35% to 43% in the same years. Federal revenues have remained relatively constant at around 6%. However, for those facilities (23) who received at least \$100,000 in federal per diem revenues (approximately 8 federal inmates per day) in FY03 that revenue constituted an average of 11 % of their operating monies with a high of 75% in Central Virginia Regional Jail to a low of 1% in Norfolk. The Commonwealth recovered \$7,000,000 of federal per diems in FY03 from these facilities under language in the Appropriation Act (Item 67 H.1).

Based upon additional language in the Appropriation Act (Item 67 H.3), certain facilities are exempt from the recovery due to federal construction payments. Those exemptions exist for Central Virginia Regional Jail, Northern Neck Regional Jail and Alexandria City Jail. Of the total federal inmate days in all Virginia jails, the exempt facilities removed 41% of all inmate days from the recovery process at a cost of \$2,575,000.

Locality operating costs in FY03 averaged \$21 per inmate day. The highest locality cost was \$89 per day in Fairfax while four regional jails (Central Virginia, Northern Neck, Piedmont and Rockbridge) and one local jail (Charlotte County) reported no locality revenue, meaning that the cost to house local responsible inmates was borne by the Commonwealth and/ or federal revenue.

Task Force Discussion Points

The task force met at the offices of the Compensation Board on July 21, 2005. After reviewing the language directing the Board and the Auditor of Public Accounts (APA) to develop overhead recovery options and a brief history of overhead recovery, the task force reviewed and discussed four options that had been developed by Compensation Board and APA staff.

Before discussing the merits of each option from both a policy and revenue generation perspective, the task force thought it important to include some basic information that would frame the discussion:

Only three facilities showed no local contribution to operating revenues and there was sentiment expressed that perhaps an option should be developed which would affect only those particular facilities

Federal per diems are used to offset (lower) what would otherwise be a higher operating cost to the participating localities

Some of the federal inmate days are indeed accommodations for U.S. Marshals or other federal agencies and are not a part of contract arrangements

Federal inmates are housed at no additional cost to the Commonwealth yet it must be remembered that local and state funding contribute to the overall support of holding these inmates

In FY 03 the Commonwealth recovered \$7,237,000 through the federal inmate overhead recovery

Finally, as previously noted, there are three facilities that have, over the years, received exemptions from the federal overhead recovery process (Alexandria, Central Virginia and Northern Neck Regional Jails). Option five, provided by the Auditor of Public Accounts, removes the exemptions in applying options one through four.

Option 1 (A, B and C)

Retaining the current overhead recovery methodology and adding to it the Commonwealth's funding for: (A) grants, office /vehicle and other miscellaneous Commonwealth reimbursements (B) Commonwealth construction funding and (C) an appropriate portion of the Commonwealth's funding of liability insurance and bonding expenses.

This option results in an estimated additional annual revenue of \$ 355,000 for a total estimated annual revenue of \$ 7,590,000.

The task force felt that this option, and this option alone, was responsive to the directive set out in Item 63 Q.

Option 2

In place of the current methodology, recover a straight \$14 per federal inmate day. This results in a decrease of overhead recovery for each jail with the exception of the three who did not receive locality-operating revenue and the three facilities that have been historically exempt from recovery. While the task force appreciated this approach in regards to lowering the amount of the overhead recovery, they could not find a basis in policy for this approach.

The \$14 per inmate day figure is the current per diem the Commonwealth pays for a state responsible inmate being held in a local or regional jail. Our rationale for choosing that same amount is that it could be argued that a federal inmate is utilizing the bed space that an out of compliance, Department of Corrections (DOC) inmate could otherwise be occupying, so the Commonwealth is entitled to that \$14 a day payment.

This option results in an estimated annual revenue of \$4,550,000.

Option 3

Replace the current methodology with one that recovers federal per diems after applying a credit for locally funded positions and local salary supplements to the total personnel costs per inmate day. This option, in effect, says that the Commonwealth will credit localities with the salary funds that they contribute but after applying that credit, will recover all or some percentage of the excess federal per diems.

Option 3 (continued)

While the task force saw the logic of assigning a credit for local salary funding their concern focused on setting a recovery percentage in the methodology and the potential for seeing that percentage increase at the discretion of the General Assembly.

Specifically with this option, Commonwealth policy makers should be wary of budgeting a set recovery amount only to see jail administrators curtail housing federal inmates due to a burdensome recovery methodology. The Task Force discussed a recovery based on a factor of 331/3 percent.

This option based on the 331/3 percent factor results in estimated annual revenue of \$4,812,000.

Option 4

The final option that was presented to the task force would have the Commonwealth recover a percentage of the difference between operating costs and operating revenues. Since local jails do not, by definition, earn a profit, this option would single out regional jails.

Unlike the previous options, this one could be added to any of the above.

Some members of the task force felt that the singling out of regional jails in this option was based on an “accounting nuance” and other members simply said that it was “unfair”. It was the consensus of the task force that this option should be eliminated from consideration.

This option results in an estimated annual revenue of \$68,500.

Option 5

Remove the exemption from the state recovery of costs for those jails whose cumulative share of federal capital costs exceeds the cumulative share of the Commonwealth’s cumulative share of capital costs. This option is offered by the Auditor of Public Accounts and had not been presented to the task force.

Of the three jails that have been exempted from the state’s cost recovery process, Central Virginia Regional Jail and Northern Neck Regional Jail are presently fully funded without local government participation.

Based on the fiscal year 2003 data, this option could have increased the state's recovery by \$2,575,030.

This option could be added to any of the other options. Again, using the fiscal year 2003 data, the state's recovery could potentially have increased by the following amounts when coupled with any of the other options:

With Option 1 – increased the state's recovery by more than \$2.7 million

With Option 2 – increased the state's recovery by more than \$3.1 million

With Option 3 – increased the state's recovery by more than \$2.6 million

With Option 4 – increased the state's recovery by almost \$1.1 million

Item 67. H. 1. Appropriation Act Language for Options 1 through 5

Option 1

The Compensation Board shall recover the state-funded personnel costs, *grants, office/vehicle and other miscellaneous state-funded reimbursements* associated with housing federal inmates, District of Columbia inmates or contract inmates from other states.

Item 67. H. 1. Option 2

The Compensation Board shall recover, *at the rate of \$14 per inmate day, the costs associated* with housing federal inmates, District of Columbia inmates or contract inmates from other states.

Item 67. H. 1. Option 3

The Compensation Board shall recover *the difference between each jail's federal inmate per diem billing rate and the net locality personnel costs – total personnel costs per inmate day minus state-funded personnel costs per inmate day –multiplied by one third.* ~~associated with housing federal inmates, District of Columbia inmates or contract inmates from other states.~~

Item 67. H. 1. Option 4

The Compensation Board shall recover *from each regional jail, the difference between operating expenditures and operating revenues multiplied by the portion of the total inmate population that are federal inmates.* ~~the state-funded personnel costs, associated with housing federal inmates, District of Columbia inmates or contract inmates from other states.~~

Option 5

Delete Item 67. H. 3.

~~The provisions of this paragraph shall not apply to any local or regional jail where the cumulative federal share of capital costs exceeds the Commonwealth's cumulative capital contribution.~~

APPENDIX A

Detail of Options

OPTION 1A

**Add State Funded Grants, Office / Vehicle and Other Reimbursements in the Current Federal Overhead Cost Recovery
on a Per Inmate Day Basis Adds \$150,000**

**Eliminate State Funded Grants, Office / Vehicle and Other Reimbursements from the Three Jails that are
Exempt
from the Federal Overhead Cost Recovery Adds \$105,000**

Category	Rev. per Inmate day	Fed / Out of state Inmate days	Exemptions	Net	With		Total
				Fed / Out -			Without
				State Inmate days	Exemptions	Exemptions to	Exemptions
				\$ Recovery	\$ Recovery	\$ Recovery	\$ Recovery
FY '03							
Grants	\$0.23	550,246	-225,318	324,928	\$74,733	\$51,823	\$126,557
Office / Vehicles	\$0.19	550,246	-225,318	324,928	\$61,736	\$42,810	\$104,547
Other	<u>\$0.05</u>	550,246	-225,318	324,928	<u>\$16,246</u>	<u>\$11,266</u>	<u>\$27,512</u>
	<u>\$0.47</u>	550,246	-225,318	324,928	<u>\$152,716</u>	<u>\$105,899</u>	<u>\$258,616</u>

OPTION 1B

Include Commonwealth Construction Reimbursements in the Federal Overhead Cost
Recovery on a Per Inmate Day Basis Adds \$165,000

FIPS	Jail Name	Rev. per Inmate day	Fed / Out of state Inmate days	\$ Recovery
		FY '04		
013	Arlington County	\$8.37	15,103	\$126,412
550	Chesapeake City	\$2.74	15,094	\$41,358
			<u>30,197</u>	<u>\$167,770</u>
		FY '03		
005	Alleghany County	\$255.16	14	\$3,572
013	Arlington County	\$8.28	14,207	\$117,634
550	Chesapeake City	\$2.32	16,215	\$37,619
470	Virginia Peninsula	\$8.46	643	\$5,440
			<u>31,079</u>	<u>\$164,265</u>

OPTION 1C

Add State Funded Insurance Premiums in the Current Overhead Cost Recovery on a Per Inmate Day Basis
Adds **\$39,740**

Add State Funded Insurance Premiums in the Current Overhead Cost Recovery for the three Jails that
Adds **\$27,558**

Insurance	Bond	\$27,500	
Insurance	Va Risk Plan	<u>\$1,054,680</u>	
		<u>\$1,082,180</u>	

All Inmate Days 8,848,191

Rev. per Inmate day	Fed / Out of state Inmate days	Exemptions	Net Fed / Out of state Inmate days	With Exemptions \$ Recovery	Exemptions to \$ Recovery	Total Without Exemptions \$ Recovery
FY '03						
\$0.12	550,246	-225,318	324,928	\$39,740	\$27,558	\$67,298

OPTION 2

Calculate Overhead Recovery at the State Responsible Per -Diem Rate

Fips Jail	Sum Of FEDMIL Days	State Responsible Per - Deims:	\$ Ovhd Recovery
003 Albemarle / Charlottesville Regional	9,720	\$14.00	\$136,080
510 Alexandria City	56,628	\$14.00	\$0
005 Alleghany County	14	\$14.00	\$196
009 Amherst County	6	\$14.00	\$84
013 Arlington County	14,241	\$14.00	\$199,374
015 Augusta County	3	\$14.00	\$42
485 Blue Ridge Regional	3,789	\$14.00	\$53,046
520 Bristol City	6,326	\$14.00	\$88,564
137 Central Virginia Regional	75,185	\$14.00	\$0
550 Chesapeake City	16,209	\$14.00	\$226,926
041 Chesterfield County	5	\$14.00	\$70
069 Clarke Fauq. Frederick Win. Regional	6,978	\$14.00	\$97,692
590 Danville City	444	\$14.00	\$6,216
051 Dickenson County	3	\$14.00	\$42
059 Fairfax County	228	\$14.00	\$3,192
073 Gloucester County	2,811	\$14.00	\$39,354
650 Hampton City	892	\$14.00	\$12,488
475 Hampton Roads Regional	20,646	\$14.00	\$289,044
087 Henrico County	3	\$14.00	\$42
089 Henry County	13	\$14.00	\$182
105 Lee County	2	\$14.00	\$28
107 Loudoun County	171	\$14.00	\$2,394
690 Martinsville City	8	\$14.00	\$112
121 Montgomery County	1	\$14.00	\$14
480 New River Valley Regional	14,550	\$14.00	\$203,700
710 Norfolk City	3,163	\$14.00	\$44,282
193 Northern Neck Regional	93,505	\$14.00	\$0
460 Pamunkey Regional	36,831	\$14.00	\$515,634
141 Patrick County	5	\$14.00	\$70
730 Petersburg City	1	\$14.00	\$14
135 Piedmont Regional	56,760	\$14.00	\$794,640
740 Portsmouth City	8,824	\$14.00	\$123,536
153 Prince William / Manassas Regional	4,187	\$14.00	\$58,618
630 Rappahannock Regional	15,066	\$14.00	\$210,924
760 Richmond City	568	\$14.00	\$7,952
465 Riverside Regional	7,443	\$14.00	\$104,202

OPTION 2Continues --**Calculate Overhead Recovery at the
State Responsible Per -Diem Rate**

Fips Jail		Sum Of FEDMIL Days	State Responsible Per - Deims:	\$ Ovhd Recovery
770	Roanoke City	35,517	\$14.00	\$97,238
161	Roanoke County/Salem	12	\$14.00	\$168
163	Rockbridge Regional	180	\$14.00	\$2,520
165	Rockingham County	9,107	\$14.00	\$127,498
169	Scott County	45	\$14.00	\$630
171	Shenandoah County	8	\$14.00	\$112
173	Smyth County	5	\$14.00	\$70
491	Southside Regional	90	\$14.00	\$1,260
185	Tazewell County	66	\$14.00	\$924
810	Virginia Beach	7,133	\$14.00	\$99,862
470	Virginia Peninsula Regional	643	\$14.00	\$9,002
191	Washington County	3,007	\$14.00	\$42,098
620	Western Tidewater Regional	39,203	\$14.00	\$548,842
195	Wise County	1	\$14.00	\$14
TOTAL		550,246		\$4,548,992

OPTION 3

Calculate Overhead Recovery at the Federal / Out of State Per-Diem

Average Billing Rate Less a Credit for Locally Funded Personnel Costs

Jail	Commonwealth		Local	Ovhd Recovery \$ Per Day	Difference	
	Federal: Per - Deims: Billing Rate	Personnel Reimbursement \$ Per Day	Personnel Credit \$ Per Day		\$ Ovhd Recovery @ 33.34%	\$ Ovhd Recovery FY' 03
Albemarle / C'ville Regional	\$44.18	\$19.60	-\$14.36	\$29.82	\$96,636	-\$87,133
Alexandria City	\$94.07	\$17.79	-\$57.24	\$36.83	\$0	\$0
Alleghany County	\$43.93	\$44.35	-\$11.06	\$32.87	\$153	\$153
Amherst County	\$80.00	\$30.16	-\$5.15	\$74.85	\$150	\$65
Arlington County	\$107.20	\$25.37	-\$40.10	\$67.10	\$318,587	-\$56,063
Augusta County	\$0.00	\$23.09	-\$8.95	-\$8.95	-\$9	-\$9
Blue Ridge Regional	\$39.46	\$24.62	-\$7.57	\$31.89	\$40,285	-\$58,001
Bristol City	\$62.01	\$30.97	-\$11.13	\$50.88	\$107,310	-\$103,384
Central Virginia Regional	\$52.19	\$10.08	-\$14.48	\$37.71	\$0	\$0
Chesapeake City	\$65.28	\$19.54	-\$32.65	\$32.63	\$176,335	-\$212,714
Chesterfield County	\$0.00	\$18.75	-\$27.97	-\$27.97	-\$47	-\$47
Clarke Fau. Fred. Win. Regional	\$44.44	\$20.25	-\$18.38	\$26.06	\$60,628	-\$107,750
Danville City	\$40.00	\$19.97	-\$2.57	\$37.43	\$5,541	-\$4,561
Dickenson County	\$0.00	\$25.25	-\$7.86	-\$7.86	-\$8	-\$8
Fairfax County	\$30.70	\$20.56	-\$73.61	-\$42.91	-\$3,262	-\$9,685
Gloucester County	\$21.03	\$17.87	-\$18.05	\$2.98	\$2,793	-\$61,788
Hampton City	\$55.00	\$21.64	-\$3.41	\$51.59	\$15,342	-\$7,910
Hampton Roads Regional	\$76.29	\$23.38	-\$6.89	\$69.40	\$477,706	-\$54,672
Henrico County	\$0.00	\$20.12	-\$12.83	-\$12.83	-\$13	-\$77
Henry County	\$0.00	\$8.76	-\$9.99	-\$9.99	-\$43	-\$43
Lee County	\$0.00	\$12.42	-\$2.09	-\$2.09	-\$1	-\$21
Loudoun County	\$48.27	\$17.20	-\$53.90	-\$5.63	-\$321	-\$5,649
Martinsville City	\$0.00	\$21.11	-\$7.89	-\$7.89	-\$21	-\$149
Montgomery County	\$0.00	\$22.84	-\$8.85	-\$8.85	-\$3	-\$3
New River Valley Regional	\$44.53	\$20.91	-\$6.19	\$38.34	\$185,986	-\$194,603
Norfolk City	\$41.33	\$20.63	-\$8.69	\$32.64	\$34,420	-\$35,218
Northern Neck Regional	\$50.05	\$8.66	-\$19.01	\$31.04	\$0	\$0
Pamunkey Regional	\$50.47	\$21.39	-\$12.78	\$37.69	\$462,813	-\$435,680
Patrick County	\$0.00	\$27.87	-\$8.88	-\$8.88	-\$15	-\$15
Petersburg City	\$0.00	\$21.79	-\$3.27	-\$3.27	-\$1	-\$1
Piedmont Regional	\$53.16	\$11.81	-\$7.69	\$45.47	\$860,464	\$26,754
Portsmouth City	\$54.12	\$17.17	-\$8.39	\$45.73	\$134,534	-\$46,753
Prince William / Man Regional	\$62.67	\$24.35	-\$39.92	\$22.75	\$31,758	-\$79,062
Rappahannock Regional	\$56.49	\$16.35	-\$16.82	\$39.67	\$199,263	-\$134,061
Richmond City	\$42.20	\$20.13	-\$7.55	\$34.65	\$6,562	-\$3,440
Riverside Regional	\$71.76	\$19.69	-\$12.93	\$58.83	\$145,986	-\$40,659

OPTION 3 CONTINUES --

Jail	Federal:	Commonwealth	Local	Ovhd	\$ Ovhd	Difference
	Per - Deims: Billing Rate	Personnel Reimbursement \$ Per Day	Personnel Credit \$ Per Day	Recovery \$ Per Day	Recovery @ 33.34%	\$ Ovhd Recovery FY' 03
Roanoke City	\$45.57	\$18.29	-\$11.81	\$33.76	\$399,765	-\$433,522
Roanoke County/Salem	\$0.00	\$26.03	-\$13.25	-\$13.25	-\$53	-\$53
Rockbridge Regional	\$54.72	\$35.64	-\$10.22	\$44.50	\$2,671	-\$5,531
Rockingham County	\$62.73	\$21.76	-\$5.95	\$56.78	\$172,400	-\$85,873
Scott County	\$0.00	\$31.59	-\$4.23	-\$4.23	-\$63	-\$63
Shenandoah County	\$163.13	\$27.19	-\$9.61	\$153.52	\$409	\$267
Smyth County	\$0.00	\$19.39	-\$4.28	-\$4.28	-\$7	-\$7
Southside Regional	\$0.00	\$23.13	-\$9.10	-\$9.10	-\$273	-\$273
Tazewell County	\$0.00	\$15.71	-\$5.39	-\$5.39	-\$119	-\$1,647
Virginia Beach	\$46.85	\$18.94	-\$11.03	\$35.82	\$85,185	-\$66,134
Virginia Peninsula Regional	\$61.03	\$24.61	-\$8.89	\$52.14	\$11,178	-\$4,181
Washington County	\$41.53	\$24.09	-\$5.00	\$36.53	\$36,623	-\$19,190
Western Tidewater Regional	\$65.25	\$18.90	-\$8.27	\$56.98	\$744,745	-\$96,460
Wise County	\$0.00	\$23.56	-\$4.93	-\$4.93	-\$2	-\$2
TOTAL					<u>\$4,811,967</u>	<u>-\$2,424,856</u>

Option 4

**Calculate Overhead Recovery with a Percentage of the Federal / Out of State
Per - Diem Annual Difference - Operating Cost vs. Operating Revenues**

Fips	Jail	All					
		Sum Of FEDMIL Days	Inmate Respon. Days	Percent FEDMIL To Total	Annual Opr. Diff \$ Per Day	Ovhd Recovery \$ Per Day	\$ Ovhd Recovery
003	Albemarle /C'ville. Regional	9,720	188,671	5.15%	-\$0.07	\$0.00	\$0
485	Blue Ridge Regional	3,789	301,111	1.26%	-\$1.74	\$0.00	\$0
137	Central Virginia Regional	75,185	137,828	54.55%	\$9.89	\$5.39	\$0
069	Clarke Fauq. Fred. Win. Reg.	6,948	144,837	4.82%	-\$1.47	\$0.00	\$0
475	Hampton Roads Regional	20,646	339,303	6.08%	\$0.65	\$0.04	\$817
119	Middle Peninsula Regional	0	61,862	0.00%	\$5.02	\$0.00	\$0
480	New River Valley Regional	14,550	180,644	8.05%	\$4.48	\$0.36	\$5,250
193	Northern Neck Regional	93,505	139,795	66.89%	\$10.73	\$7.18	\$0
460	Pamunkey Regional	36,831	137,450	26.80%	-\$0.85	\$0.00	\$0
490	Peumansend Creek Regional	0	113,214	0.00%	-\$3.10	\$0.00	\$0
135	Piedmont Regional	56,760	163,268	34.76%	\$2.37	\$0.82	\$46,766
153	Prince Wm. Man. Regional	4,187	239,982	1.74%	\$7.97	\$0.14	\$582
630	Rappahannock Regional	15,066	304,313	4.95%	\$1.28	\$0.06	\$955
465	Riverside Regional	7,443	375,441	1.98%	\$6.30	\$0.12	\$930
163	Rockbridge Regional	180	33,174	0.54%	\$1.41	\$0.01	\$1
491	Southside Regional	90	54,096	0.17%	\$1.74	\$0.00	\$0
470	Virginia Peninsula Regional	643	136,912	0.47%	\$2.48	\$0.01	\$7
620	Western Tidewater Regional	39,203	228,170	17.18%	\$1.97	\$0.34	\$13,269
TOTAL		384,776	3,280,071	11.73%			\$68,578

OPTION 5

Elimination of FICR Exemption At Three Jails

Fips	Jail Name	OPTION 1	OPTION 2	OPTION 3	OPTION 4
510	Alexandria City	\$1,040,953	\$792,792	\$695,342	\$0
137	Central Virginia Regional	802,397	1,052,590	945,264	405,622
193	Northern Neck Regional	865,136	1,309,070	967,659	671,085
TOTAL		\$2,708,487	\$3,154,452	\$2,608,265	\$1,076,707

Appendix B

Responses to Exposure Draft

-----Original Message-----

From: HRRJ [mailto:hrrj@visi.net]

Sent: Friday, August 26, 2005 12:43 PM

To: Lampman, Richard

Cc: sheriff@roanokegov.com; barthur@arlingtonva.us; rrjail@yahoo.com; fhildebr@co.frederick.va.us; tdjones@cchsheriff.com; curtinm@chesterfield.gov; eblackstock@brrja.state.va.us; james.shepard@apa.virginia.gov; jareson@vml.org; sohare@vaco.org; bernard.caton@alexandriava.gov; cburns@leg.state.va.us; dhickman@leg.state.va.us; Haynes, Bruce

Subject: Re: Exposure draft of Federal Overhead Recovery Report

Thank you for providing the Exposure Draft and for the opportunity to respond.

Option #2 is the option that is most favorable to my local jurisdictions and, therefore, it is the option that I vigorously support. Option #2 has the advantages of simplicity, consistency and fairness. It would be a great advantage to the regional and local jails, as well as to the State, to be able to plan their finances on the basis of a known, fixed amount of \$14 per day; rather than on the current uncertain amounts that change each year based on complex, unpredictable computations that result annually in different rates for each individual jail. Also, it appeared to me that there was a fairly strong consensus of the task force members in favor of Option #2.

Option #4 is patently unfair to regional jails. It is based on an accounting nuance of the Jail Cost Report's accounting methodology that affects regional jails differently than county and city jails. This option should be eliminated from consideration.

Options #1 and #3 should be rejected as less favorable than Option #2.

With regard to the exemptions, I do not object to them because they were previously provided by State legislation. My feeling is that this is mainly an issue between the State and the affected jurisdictions. However, if there is some revenue target that is being sought by the State, I would certainly be in favor of a recovery methodology that would not negatively impact my local jurisdictions.

In summary, I strongly support Option #2, either with exemptions or without exemptions.

Roy W. Cherry
Superintendent
Hampton Roads Regional Jail



ROANOKE
OFFICE OF THE CITY MANAGER

Noel C. Taylor Municipal Building
215 Church Avenue, SW, Room 364
Roanoke, Virginia 24011 540853.2333
www.roanokegov.com

September 12, 2004

Mr. Richard Lampman
Policy and Planning Manager
Commonwealth of Virginia
Compensation Board
P.O. Box 710
Richmond, Virginia 23281

Dear Mr. Lampman:

This letter is the City of Roanoke response to the Exposure Draft - Compensation Board Federal Inmate Overhead Recovery Methodology. After reviewing the various options presented in the report, and consulting with the City of Roanoke Sheriff, George M. McMillan, we offer the following comments and observations with respect to the options under consideration.

- While information in the report indicates that it was the consensus of the task force appointed to study the various alternatives that Option 4 (Recovery of a percentage of the difference between operating costs and operating revenues) should be eliminated because it singles out regional jails, this option appears to fully recognize the difference between local jails and regional jails. It also recognizes the fact that the housing of federal prisoners, when possible, is a strategy for reducing the local share cost.
- If Option 4 is not viable, it is our suggestion that Option 3 (Recovery after applying a credit for locally funded positions and local salary supplements to the total personnel costs per inmate day) is the next best method. This option provides some recognition of the local funding provided. Our Deputy Sheriffs are in the City of Roanoke compensation plan, so the salary reimbursement provided by the Compensation Board does not fully cover our personnel costs and requires a local supplement.
- While Option 2 (Recovery of \$14 per federal inmate day) results in a reduction in the overhead recovery for each jail, the task force appears to be on target in that this approach uses the \$14 per inmate day that is the current per diem that the Compensation Board pays for

state responsible inmates being held in local jails. This option does not appear to be based or tied to any expense associated with housing federal prisoners.

- It appears that Option I (Retaining current methodology and adding Commonwealth funding for grants, office/vehicle, and other reimbursements; construction; and liability insurance/bonding costs) is only a minor modification of the current methodology.

As further consideration is given to all of the options, there are several points that I would call to your attention. The draft report indicates that the lack of local contributions for jail operations is seen as problematic. It should be noted that information from the most recent jail Cost Report available (FY 2003 indicates that the City of Roanoke funded 28.22% or approximately \$3.6 million of the cost to operate the jail. This clearly demonstrates that the City of Roanoke supports the operation of the jail with local funds. As referenced in the draft report, federal inmates are housed at no additional expense to the Commonwealth of Virginia and federal per diems are used to lower the cost of operating the jail.

While reductions in state per diem funding taken in previous years have been restored, it should also be noted that funding budgeted for FY 06 per diem payments may not be sufficient to provide cover the growth in the local inmate population. If the funding budgeted for FY 06 is not sufficient, the fourth quarter per diem payment to localities may be prorated. In essence, while the Commonwealth has potentially not fully funded its per diem obligation to localities, it recovers a portion of the funding we receive for housing federal prisoners.

It is our opinion that Option 4 and Option 3 are the most viable from a local perspective. As evidenced by his signature below, the City of Roanoke Sheriff is supportive of this position.

Thank you for your consideration.

Sincerely,



Darlene L. Burcham
City Manager

George M. McMillan

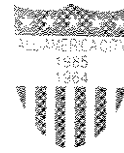


Sheriff



William D. Euille
Mayor

City of Alexandria, Virginia
301 King Street, Suite 2300
Alexandria, Virginia 22314



City Hall (703) 838-4500
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Fax (703) 838-6433
alexvamayor@aol.com

September 12, 2005

Richard A. Lampman, Ph.D.
Policy and Planning Manager
Compensation Board
P.O. Box 710
Richmond, VA 23218-0710

Dear Dr. Lampman:

I am writing in response to the Compensation Board's August 24 release of its exposure draft of the Federal Inmate Cost Recovery Options Report.

I realize that the Board and its staff have developed this draft report in response to a directive of the 2005 General Assembly, included in the Appropriations Act for that Session. I am appreciative of the Board's inclusion of a comment period for local officials before it finalizes its report.

As I understand the directive, the Compensation Board was told to "develop options for a revised cost recovery methodology to recover all costs reimbursed by the Commonwealth, including capital costs, associated with housing federal inmates, District of Columbia inmates or inmates from other states."

Staff for the City of Alexandria has reviewed the draft report, and believe that only one of the options presented in the draft, Option 1, actually responds to the General Assembly directive. The draft itself notes that the task force of local officials and employees assembled by the Compensation Board staff to review the staff draft of this report "felt that this option, and this option alone, was responsive to the directive set out in" the Appropriations Act. The City of Alexandria continues to view Option 1 (and its sub options 1 A, I B, and I C) as the only option that actually responds to the General Assembly directive.

In addition, the City is pleased that the Compensation Board and its staff noted in its report that three jails in the Commonwealth are exempted from the current revenue recovery procedure because the federal share of capital expenses for these jails exceeded any state capital funding.

"Home Town of George Washington and Robert E. Lee"

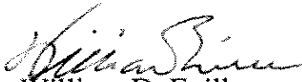
Robert A. Lampman, Ph.D.
September 12, 2005
Page 2

I would also add that in the case of Alexandria, the City and the federal government have paid far more than the state in jail construction costs. When the jail was built in 1987 at an approximate cost of \$20 million, the City paid \$17.1 million, the federal government \$2.6 million, and the state \$300,000. Since 9-11, the City has made major, expensive improvements to the perimeter security of the jail property, since the jail is holding a number of convicted or alleged terrorists, such as Zacarias Moussaoui, who were involved in the September 11, 2001, attacks. The cost of these improvements was approximately \$5.1 million, all of which was paid for by the City (\$2.2 million) and the federal government (\$2.9 million).

Finally, the City of Alexandria pays a far greater share of the Alexandria Sheriffs Office operating costs than either the State or the federal government. The Compensation Board's most recent Jail Cost Report, indicates that in FY 2003 the City provided 45 percent; the federal government, 33 percent, and the State 21 percent of the funding for Alexandria jail expenditures.

In view of the tremendous City and federal resources, both capital and operating, that go to the Alexandria jail, I ask that your report recommend that the City's exemption from the federal per diem revenue recovery procedure be continued.

Sincerely yours,


William D. Euille
Mayor

c: The Honorable Members of City Council
James K. Hartmann, City Manager
James H. Dunning, Sheriff
Bernard Caton

-----Original Message-----

From: HRRJ [mailto:hrrj@visi.net]

Sent: Thursday, September 22, 2005 12:11 PM

To: Lampman, Richard

Subject: Re: Action of jail liaison committee

Hi Richard,

At the Liaison Committee Meeting held September 20, 2005, the Committee voted to recommend to the Compensation Board that the Committee recommends the "\$14 per day" alternative for the fed overhead recovery and that it would take no position on the issue of the exemptions that are currently in effect.

Roy Cherry

Liaison Committee Chair

APPENDIX C

Cost Allocation Plan Requirement for Housing Federal Inmates

Sheriffs and regional jail administrators of those facilities that house federal inmates on a contract basis should be aware of OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, when determining daily per-diem rates for federal inmates. This circular establishes principles and standards for determining costs, including those applicable to federal cost reimbursement contracts. It requires that costs such as federal inmate per-diem rates be reasonable and documented. When per-diem rates do not meet these conditions, the federal government may take action necessary to recover some of those per-diem rates that, in their opinion, exceed the actual costs incurred by the facility and/or locality.

There have been instances recently where, for whatever reason, the contract process was not followed per OMB Circular A-87 and the Department of Justice Inspector General has initiated attempts to recover some funds paid to facilities/localities.