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ABSTRACT

The Standards and Goals Project has undertaken cost analysis of halfway houses in order to analyze and estimate the costs of implementing correctional standards, and to provide cost guidelines and cost estimation techniques for use by jurisdictions. The first volume: (1) provides a brief background on the Corrections Standards relating to halfway houses; (2) focuses on findings of the cost analysis and briefly explains the methodology used so that these findings can be interpreted accurately; (3) highlights the policy implications of the analysis. It is intended for use as a separate document by justice system administrators, legislators and others in need of a reference to the policy issues surrounding halfway houses, particularly those related to cost. In addition, Volume I is designed as a companion reference to Volume II which is intended for use by planners and analysts. Volume II both provides detailed, technical description of estimation techniques applicable to estimating halfway house costs for a particular jurisdiction and presents detailed findings of the cost analysis. (Author)

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COST ANALYSIS OF CORRECTIONAL STANDARDS:

HALFWAY HOUSES

VOLUME I

By

Donald J. Thalheimer

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PREFACE

Cost analysis which has been undertaken by the Standards and Goals Project has had two purposes:

- To analyze and estimate the costs of implementing Standards of the Corrections Report, issued in 1973 by the National Advisory Commission on Criminal Justice Standards and Goals (policy-oriented purpose);[1]

- To provide cost guidelines and cost estimation techniques for use by jurisdictions in assessing costs of their own ongoing or contemplated activities (technical purpose).

To achieve both purposes, the Project is presenting the results of its cost analysis of halfway houses in two volumes, of which this is the first. In focusing on the Project's policy-oriented purpose, this first volume:

- Provides a brief background on the Corrections Standards relating to halfway houses;

- Focuses on findings of the cost analysis and briefly explains the methodology used so that these findings can be interpreted accurately;

- Highlights the policy implications of the analysis.

It is intended for use as a separate document by justice system administrators, legislators and others in need of a reference to the policy issues surrounding halfway houses, particularly those related to cost. In addition, Volume I is designed as a companion reference to Volume II which is intended for use by planners and analysts. Volume II both provides detailed, technical description of estimation techniques applicable to estimating halfway house costs for a particular jurisdiction and presents detailed findings of the cost analysis.

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[1] National Advisory Commission on Criminal Justice Standards and Goals, Corrections (Washington, D.C.: Government Printing Office, 1973); hereafter referred to as Corrections.

INTRODUCTION

Halfway houses occupy two roles within corrections: as resources serving clients from other criminal justice programs (for example, diversion or parole) and as direct sentencing alternatives. The second role, that of direct sentencing alternatives, is currently limited but increased use is recommended by the Corrections Report. Standard 16.8, entitled Sentencing Alternatives, states:

> By 1975 each State should enact the sentencing legislation proposed in Chapter 5, Sentencing, reflecting the following major provisions:
>
> 1. All sentences should be determined by the court rather than by a jury.
> 2. The court should be authorized to utilize a variety of sentencing alternatives including:
>
> a. Unconditional release.
> b. Conditional release.
> c. A fine payable in installments with a civil remedy for nonpayment.
> d. Release under supervision in the community.
> e. Sentence to a halfway house or other residential facility located in the community.
> f. Sentence to partial confinement with liberty to work or participate in training or education during all but leisure time.
> g. Imposition of a maximum sentence of total confinement less than that established by the legislature for the offense.[1]

In addition to expanding the direct sentencing role of halfway houses, implementing the Standards of the Corrections Report would result in greater referral of clients to services provided by community resources outside the halfway house rather than provision of such services in-house. Standard 2.9, entitled Rehabilitation, states:

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[1] Corrections, p. 569.

> Each correctional agency providing parole, probation, or other community supervision should supplement its rehabilitative services by referring offenders to social services and activities available to citizens generally. The correctional authority should, in planning its total range of rehabilitative programs, establish a presumption in favor of community-based programs to the maximum extent possible.[1]

From an economic perspective, implementation of the two Standards cited above, as well as other recommendations in the Report which call for correctional planning and improved services to alleged or convicted offenders, would affect costs and benefits (outputs) associated with halfway house activities. The nature and magnitude of such effects is the subject of this report.

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[1] Ibid., p. 43.

COSTS INCURRED BY HALFWAY HOUSES

Associated with implementation of the Corrections Standards are four types of costs incurred by halfway houses:

- Criminal justice system costs,
- Costs external to the criminal justice system, borne by individuals or groups providing services to halfway house clients,
- Opportunity costs incurred by clients of halfway houses, and
- Costs to the community in which a house is located.

Each of these is discussed in the sections which follow.

CRIMINAL JUSTICE SYSTEM COSTS

There exists a tremendous amount of variation in all of the descriptive characteristics for halfway houses except one, population capacity. There exists a wide range in stated goals and objectives, locational characteristics, facility makeup, staff size, number and types of services provided. Yet capacity and average population size are fairly constant for a cross-section of houses throughout the country--10 to 15 for most and 25 to 30 for the larger houses.[1]

That such variation in descriptive characteristics is also associated with substantial cost variation is supported by the results of cost analysis of a sample of 30 houses conducted by the Standards and Goals Project for this report. (Houses in the sample, as well as their capacities and types of sponsorship, are listed in an appendix to this report). Operating costs for the houses in the sample were as follows:[2]

---

[1]For more description and discussion of this variation, see Keller, Oliver J., and Alper, Benedict S., Halfway Houses: Community Center Corrections and Treatment (Lexington, Mass.: Heath Lexington Books, 1970).

[2]Since it was necessary to estimate rental equivalents for houses which had been purchased, rather than rented, facility costs were analyzed separately from other operating costs. Maintenance costs were included as a separate component of other operating costs.

- Facility costs ranged from a low of $76 per bed year ($.21 per bed day) to a high of $1,391 per bed year ($3.81 per bed day). Median annual facility cost per bed for the entire sample was $335; the mean was $404 per bed year.

- Average (mean) annual facility cost for facilities that were rented was $455 per bed, as compared to $332 per bed for facilities which had been purchased. Average facility cost for the facilities rented by state-operated houses was $580 per bed, as compared to the sample average of $404 per bed.

- Other operating costs exhibited significant variation as well. Average daily operating costs, excluding facility costs, ranged from $4.77 to $27.58. Median daily operating cost of houses in the sample was $13.33; mean daily operating cost was $13.55.

There were four principal sources of cost variation among houses in the sample. The first was differences in services provided. All the houses in the sample provided shelter, supervision (including custodial) and group counseling services. Most houses provided food services; others, however, contracted out for meals, issued meal vouchers, or had clients provide for themselves. Most houses provided financial management, basic individual, and employment counseling as well. With regard to other services, including education, vocational training, and individual psychological training--some houses provided them in-house; other houses referred clients out to other agencies or institutions; and many did neither.

Differences in services provided affected personnel costs the most. On the average, personnel costs accounted for well over 50 percent of total operating costs. Average daily personnel costs ranged from $2.27 per client to $21.31 per client. Median average daily personnel cost per client was $8.67; the mean was $9.56.

The second source of cost variation was inter-regional price variation. For houses in the sample, salaries for the director position ranged from $10,000 to $19,610. Salaries for the assistant director position ranged from $9,000 to $16,490. Salaries for full-time counselor/job developer/community resource developer/correctional officer positions ranged from $5,573 to $15,509. Such wide variation was consistent with salary variation for similar positions (specifically, probation officers), documented in State Salary Survey, August 1, 1973, published by the U.S. Civil Service Commission.

Facility price variation occurred on two levels. Facility prices were generally higher in states in the coastal regions (Northeast, Middle Atlantic, and Pacific regions) than in states located in the interior. More importantly, within individual cities facility prices were generally significantly higher in stable

neighborhoods (for example, suburbs) than in unstable (for example, inner city) neighborhoods.

Other price factors varied as well. Utility prices varied by as much as 50 percent among different states. Food prices were found to be approximately nine percent higher in metropolitan areas than in non-metropolitan areas; among metrolpolitan areas, the food price differentials amounted to ten percent.

The third source of cost variation was availability of resources. Resources were of three types:

- Public financial resources, which includes block funds from LEAA, HEW or State Planning Agencies (SPA) grants, contracts with the Federal Bureau of Prisons and Division of Probation, state departments of corrections and probation and parole authorities (for the houses operated by state departments of corrections, of course, some resources were internal);

- Private financial resources, which includes funding from sources outside the criminal justice system such as private agencies and individuals, and client payments for room and board; and

- Non-financial resources, which includes community resources which provided free or reduced cost services to clients of halfway houses. Such resources included doctors, lawyers, dentists, repairmen and volunteers of all types.

The analysis indicated that houses funded primarily by public financial resources were in effect being subsidized by federal, state and/or local governments, and this subsidy had both price and quantity effects, especially for personnel costs. Houses which had strong public resources, which included the houses operated by state departments of corrections, the houses operated by private agencies or foundations, and several of the single houses funded primarily by LEAA, generally had more and higher salaried personnel than their privately funded counterparts. The houses in the sample serving exclusively work releasees generally had larger absolute expenditures than houses serving primarily clients under other sentencing dispositions, since they were the houses most likely to have strong public financial resources, especially contracts with the Federal Bureau of Prisons and the state departments of corrections.

The fourth source of cost variation was economies of scale and factor indivisibilities. While the existence of economies of scale could not be affirmed by sample data, certain fixed costs, principally facility costs and the salary and fringe benefit costs associated with director and assistant director positions, were found to affect average costs over two ranges of "number of clients

served"--12 to 18 and 22 to 28. Average costs were lower at the upper end of each range than at the lower end.

In selecting the sample of halfway houses used for the analysis described above, an effort was made to represent a cross-section of houses across the country, by size, type (state-operated, private independent, private agency-operated), services provided, location (geographical region, size of city, type of neighborhood), and types of clients served. The sample was selected on the basis of several additional criteria as well: principally, duplicability and availability of cost data. However, even for houses included in the sample, several data limitations were encountered. They included the following:

- Houses operated on, and therefore expenditure data were available for, different yearly cycles. Some houses operated on a calendar year basis, others on a fiscal year, and some even operated on other cycles.

- There was a lack of complete records of actual expenditures. Some houses recorded only budgeted expenditures.

- Houses excluded certain costs from the budgeted and recorded, actual expenditures. Costs most commonly excluded were facility costs and fringe benefits.

If previously deleted, allowances for fringe benefits were included in total personnel cost estimates. Rental equivalents were calculated for facilities owned rather than rented. All cost data were standardized to 1974 dollars, employing the GNP deflator for state and local government purchases. Average costs were calculated on the assumption that houses were operating at designated capacities.

Using line item cost data from houses in the sample, four sample budgets for halfway houses offering different types of services were derived. The format for such a sample budget is illustrated in Figure 1 on page 9, which presents a set of criminal justice system cost estimates for a halfway house providing basic in-house services plus community resource referral, the combination of services most closely associated with all of the Corrections Report's recommendations regarding halfway houses.[1] Average cost estimates associated with each of the four sample budgets derived by the Project are shown in Figure 2 on page 10.

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[1] All four sample budgets are presented in Volume II of this report.

Figure 1

Sample Budget for a House Providing Basic
In-House Services Plus Community Resource Referral (1974 Dollars)

ITEM	AVERAGE HIGH	PERCENT OF TOTAL OPERATING COSTS	AVERAGE LOW	PERCENT OF TOTAL OPERATING COSTS
PERSONNEL				
Wages and Salaries				
Director	$15,970	10.9%	$12,085	13.0%
Assistant Director/Supervisor	12,737	8.7%	9,767	10.5%
Community Resource Manager	11,756	8.1%	8,842	9.5%
Counselor	11,756	8.1%	8,842	9.5%
Night Counselor	9,441	6.5%	7,100	7.6%
1 Part-Time Counselor	4,576	3.1%	2,560	2.7%
Secretary/Bookkeeper	7,646	5.2%	6,082	6.6%
Cook/Housekeeper	6,990	4.8%	5,500	5.9%
Total Wages and Salaries	(80,872)	(55.3%)	(60,778)	(63.3%)
Fringe Benefits (15%)	12,131	8.3%	9,117	9.8%
TOTAL PERSONNEL COSTS	($93,003)	(63.6%)	($69,895)	(75.1%)
NON-PERSONNEL				
Professional Fees and Contract Services	$ 4,042	2.8%	$ 1,016	1.1%
Travel and Transportation	3,741	2.6%	1,743	1.9%
Rent/Rental Equivalent	12,292	8.4%	4,704	5.1%
Maintenance	2,461	1.7%	1,304	1.4%
Utilities	4,288	2.9%	1,834	2.0%
Communications	2,561	1.8%	1,452	1.6%
Supplies	3,770	2.6%	892	1.0%
Food	18,002	12.3%	9,592	10.3%
Other	2,057	1.4%	698	0.7%
TOTAL NON-PERSONNEL COSTS	($53,214)	(36.4%)	($23,235)	(24.9%)
TOTAL OPERATING COSTS	$146,217	(100%)	$93,130	(100%)
AVERAGE COST				
Capacity (18)				
Average Daily Cost Per Client	$ 22.26		$ 14.18	

See the text for a discussion of factors to be noted in interpreting and using cost estimates in this figure.

Figure 2

Annual and Daily Criminal Justice System Cost Estimates
(Per Client, in 1974 Dollars) For Halfway Houses
Providing Different Types of Services

Type(s) of Services Provided by House	High Average		Low Average		Mean	
	Annual	Daily	Annual	Daily	Annual	Daily
Basic In-House Services	$7,347	$20.13	$4,598	$12.60	$5,973	$16.36
Basic In-House Services and Community Resource Referral	8,123	22.26	5,174	14.18	6,649	18.22
Basic Services and Community Resource Referral, Utilizing Volunteers	7,167	19.63	4,599	12.60	5,883	16.12
Comprehensive In-House Services	9,773	26.77	6,325	17.33	8,049	22.05

See the text for discussion of factors to be noted in interpreting and using cost estimates in this figure.

In interpreting or applying the cost estimates associated with sample budgets shown in Figures 1 and 2, the following should be noted:

- The cost estimates contained in the sample budgets were based primarily on sample data, but staffing and non-personnel resource patterns were determined on the basis of observed patterns both in the sample and elsewhere, and according to staffing and other resource patterns envisioned in the Corrections Report.

- Halfway houses, like most governmental activities, are labor intensive. Therefore a very high percentage of a sample budget is for personnel costs.

- With allowances for factor indivisibilities, these estimates are associated with houses designed to serve 18 clients, operating at capacity. Based on the Project's analysis discussed earlier, houses operating at less than capacity or at design capacities close to, but above or below, 18 clients can expect to have somewhat higher average costs.

- The "average high," "average low" and "mean" figures associated with a particular item were derived as follows. The average high is the average of the upper half of the sample for that item; the average low is the average of the lower half; the mean is the average of the average high and the average low. No estimate shown is an extreme (at the high or low end of the spectrum of cost variation among houses in the sample). Which estimate is most appropriate for a particular locality or house will depend primarily on where the locality or house stands regarding the four major sources of cost variation, discussed earlier.

- These estimates were derived for an ongoing, operational activity. Higher startup costs have therefore been excluded.[1]

- Cost estimates have been standardized to 1974 dollars. Adjustments for inflation since that time will need to be made to arrive at estimates for houses operating in subsequent years.

- A sample budget includes only those costs incurred by the criminal justice system in the operation of a halfway house. Not included are external and opportunity costs, discussed below.

---

[1]It is assumed in three of the sample budgets that all services are performed by paid staff and not by volunteers or clients. Substitution of volunteer or client labor for paid staff would therefore lower the estimates contained in these three sample budgets. In the fourth (Table 10), volunteers are assumed to be providing several services, so a comparison between it and Table 9 illustrates cost savings from such substitution.

The estimates shown in Figure 2 can be compared with a $7,041 per inmate year ($19.29 per inmate day) jail cost estimate for calendar 1974 prepared for another Standards and Goals Project report on institutional-based programs. The average (mean) estimates for houses providing the first three combinations of services lie below that figure; the estimate for a house providing comprehensive in-house services is substantially higher.

Three other types of criminal justice system costs and information developed for them are described below:

- Indirect costs. Except for allocations to allow for personnel in the central office of a private agency operating more than one house who perform functions ordinarily assumed by house directors, indirect costs have been considered but not estimated by the Standards and Goals Project.[1]

- Costs of apprehending and/or prosecuting clients who abscond or commit new crimes during residence. Average cost of police patrol time involved in apprehension, including departmental indirect costs, was estimated to be $9.44 per hour. Prosecution costs were estimated to be $21.58 per hour for a district magistrate, $16.38 per hour for a prosecutor, and $19.32 per hour for a public defender.

- Costs of other criminal justice activities providing services to clients of halfway houses. The average cost per client year of one such program, TASC, was estimated to be $1,331 ($3.65 per client day) for low budget activities and $1,643 ($4.50 per client day) for higher budgeted activities. Other such costs were briefly considered.

OTHER COSTS

As the Corrections Report recommends greater referral of clients to services provided by community resources, much of the added cost of implementing the Standards can be expected to be external. External costs for the major services to which clients may be referred were estimated by the Project and are shown in Figure 3 on page 13.

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[1] See Volume II for more details.

Figure 3

Estimated External Costs in 1974 Dollars for the Major Services to Which Halfway House Clients May Be Referred

Type of Service	Average Cost
Education (four-year public college)	$541/client year
Vocational Training (trade/technical school)	$900/client year
Drug Treatment	$1,278/client year - $6,254/client year
Detoxification	$15.84/client day - $171.55/client day
Mental Health Treatment	$30.82/client day - $72.80/client day

Two other types of external costs which exist but for which no estimates were derived are external costs of leisure services provided to clients and external costs associated with volunteers.

It is also important to consider two other, largely unquantifiable types of costs of halfway houses: opportunity costs incurred by clients and costs to the community in which a house is located. Two opportunity costs to clients are particularly important: those associated with employment opportunities and leisure opportunities foregone as a result of halfway house limitations on client mobility. Tradeoffs exist between these two opportunity costs and criminal justice system costs, such as facility costs (which are a function of location, among other variables). The better a neighborhood is, in terms of proximity to employment and leisure resources, the lower these opportunity costs are for halfway house clients.

There are three types of alleged costs to the community in which a house is located:

(1) The tax loss associated with property operated by non-profit or governmental agencies.

(2) A decline in property values in the neighborhood in which a house is located, and

(3) The cost of new crimes committed by clients of a house.

The first type of cost is present but is virtually negligible, either in comparison to community taxes as a whole or when divided by total residents. Regarding the second, while no comprehensive analysis of the effect of halfway house location on neighborhood property values has been undertaken, previous analyses on an individual house basis, collected as a part of this research effort, all concluded that no discernable decline in property values had occured. Regarding costs of new crimes committed by clients of halfway houses, very limited data that have been collected to date have affirmed that clients do commit additional crimes, but that the arrest rates for clients of halfway houses did not exceed that of the general population (of this country) as a whole.

BENEFITS FROM HALFWAY HOUSES

While the focus of the Standards and Goals Project's analysis has been on the costs of halfway houses, any economic analysis is incomplete without at least considering the benefits with which these costs must be compared, in selecting and implementing correctional activities. Accordingly, the benefit side of halfway houses is discussed briefly in this volume, from an economic perspective.

Benefits can be considered from both a macroeconomic viewpoint (considering halfway houses as comprising a sub-industry within the corrections industry) and a microeconomic viewpoint (regarding the individual house as the unit of analysis). Different policies and procedures of houses may serve to generate or restrict benefits to clients and to society. Implementation of the Standards of the Corrections Report would affect current policies and procedures, and therefore affect total benefits to clients and society, as:

(1) Halfway houses would be included as part of a state and/or local long range master plan. Individual houses would conform to state and local standards. Other state and local correctional activities would also be included in the plan, so as to optimize the allocation of correctional resources among all correctional activities.

(2) The role of halfway houses as a direct sentencing alternative would be expanded. This would result in a greater percentage of clients assigned directly to houses by the courts and, in conjunction with the Report theme of minimum penetration, result in a wider mix of clients in terms of age, type of offense, and number of previous convictions.

(3) The production-distribution role of houses would be lessened; by emphasizing referral of clients to services provided by community resources rather than provision of those services in-house, and by both increasing the number of clients sentenced directly by the courts and restricting the power of administrators of houses to turn down prospective clients referred by other correctional activities.

DIRECTIONS FOR FURTHER RESEARCH

This report has highlighted the findings and methodology of a comprehensive cost analysis of halfway houses. The Standards and Goals Project, however, has not been able to analyze in depth all cost-affecting or cost-related variables. Areas in which further research is needed include:

- What are the short and long run facility cost differentials between renting and buying?
- What is the most efficient facility design?
- What are the most efficient combinations of staff?
- What is the relationship between type and level of funding and operating costs? Is there an inflationary effect when federal funding is assumed?
- What is the extent of indirect costs? What is the most efficient administrative design?
- What are the most efficient methods of distributing resources provided by agents external to the criminal justice system?
- What are the trade-offs between opportunity costs to clients and criminal justice system costs?
- What are the aggregate costs to the community of a halfway house locating within it?

In addition to analysis of cost and cost-related factors in the operation of halfway houses, further analysis into the benefit side is needed as well. Some questions which such research efforts should address include:

- What are the output/benefit effects of different goals and policies of halfway houses?
- What are the best available methods for measuring societal benefits?
- What constitutes a "successful" halfway house experience?

- What are the output/benefit effects of different combinations of services to be provided in-house?

- Which types of clients benefit most from services provided in a halfway house setting?

For decision making purposes, analyses which relate cost and output/benefit considerations to each other are required. There are two such types of analysis: cost/benefit analysis and cost/effectiveness analysis. Both attempt to relate costs of programs to performance. Cost/benefit and cost/effectiveness analysis are most valuable because, rather than determining which are the least costly alternatives or which alternatives yield the most societal benefits, they determine which alternatives produce the highest net benefits (relative or absolute), or which alternatives are most cost/effective. Because non-monetary criteria are employed in measuring output/benefits, cost/effectiveness in particular lends itself to an interdisciplinary effort, including other social scientists as well as to economists.

As with most research projects, the Standards and Goals Project has found as many questions as it has answered in the course of its analysis of halfway houses. Hopefully this volume will, however, be helpful to criminal justice decision makers in their own jurisdictions, as they seek answers and estimates on topics the Project has addressed most comprehensively--specifically, the nature and magnitude of costs and cost differentials among halfway houses--and as they ask questions for which answers will be found only after considerable additional study, nationally and at the level of the particular jurisdiction developing or improving its own halfway house program.

APPENDIX

Halfway Houses in the Standards and Goals Project Sample*

Houses Affiliated With Organizations Sponsoring More Than One House in the Sample

TALBERT HOUSE, INC. (Private Agency)
Cincinnati, Ohio (Pop.: 426,245)

McMillan House	16 Beds
Wesley House	17 Beds
Vendanta House	30 Beds
Halfway House for Women	15 Beds
Residential Youth Treatment Project	18 Beds

MAGDALA FOUNDATION (Private Agency)
St. Louis, Missouri (Pop.: 558,006)

Missouri Avenue House	22 Beds
North 11th Street House	18 Beds
Rauschesbach House	25 Beds
West Pine House	25 Beds

JACKSONVILLE ADULT DEVELOPMENT CENTERS PROJECT
(Private Agency)
Jacksonville, Florida (Pop.: 521,953)

Bold City	22 Beds
Walnut House	15 Beds
Probationers Residence	30 Beds
Women Probationers Residence	12 Beds

BUREAU OF REHABILITATION FOR THE NATIONAL CAPITOL AREA (Private Agency)
Washington, D.C. (Pop.: 733,801)

Shaw Residence #1	24 Beds
Shaw Residence #2	24 Beds
Community Care Center	30 Beds
Shaw Residence #3	24 Beds
Residential Treatment Center	25 Beds

DISTRICT OF COLUMBIA DEPARTMENT OF CORRECTIONS
(State Operated)
Washington, D.C. (Pop.: 733,801)

Center #1	40 Beds
Center #4	23 Beds
Center #5	40 Beds

22

(cont'd)

MINNESOTA DEPARTMENT OF CORRECTIONS (State Operated)
Minneapolis, Minnesota (Pop.: 382,423)

Project Reentry	28 Beds
Restitution Center	23 Beds

Single Houses

Dismas House (Private Independent) Kansas City, Missouri (Pop.: 487,799)	24 Beds
Reality House (Private Independent) Columbia, Missouri (Pop.: 60,932)	14 Beds
Morman House (Private Independent) Farmington, Missouri (Pop.: 7,250)	10 Beds
Home of Industry for Displaced Prisoners (Private Independent) Philadelphia, Pennsylvania (Pop.: 1,861,719)	15 Beds
Community Outreach Services (Private Independent) Daytona Beach, Florida (Pop.: 47,352)	14 Beds
Washington Halfway House for Women (Private Independent) Washington, D.C. (Pop.: 733,801)	16 Beds
Georgia Department of Corrections (State Operated) Atlanta, Georgia (Pop.: 451,123) Adjustment Center	30 Beds
Comm-Home House (State Operated) Pasco, Washington (Pop.: 14,273)	14 Beds
Pioneer Fellowship House (Private Independent) Seattle, Washington (Pop.: 503,073)	33 Beds
Family House (Private Independent) Seattle, Washington (Pop.: 503,073)	22 Beds
Opportunity Center (Private Independent) Waco, Texas (Pop.: 98,713)	23 Beds

*Population estimates are for 1973 and are from the U.S. Bureau of the Census.

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By

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PREFACE

The subject of this report is the cost and resource implications of correctional standards related to halfway houses. Standards used as a basis for the analysis are those contained in the 1973 Corrections Report of the National Advisory Commission on Criminal Justice Standards and Goals.[1] This is one of several program reports being prepared by the Standards and Goals Project. Others will cover such topics as "Pretrial Diversion Programs," "Activities to Assure Appearance in Court," and "Institutional-Based Programs and Parole."

The purpose of the Project's program reports is to provide state and local decision makers with cost information on the many different kinds of activities advocated in the Standards of the Corrections Report. The decision makers are assumed to include:

- State criminal justice planning agencies
- State correctional administrators and staffs
- State budget office staffs
- State legislatures and staffs
- Similar planners, administrators and staffs at the local level.

Project reports are intended to supplement the Corrections Report by providing information these decision makers need to adopt and to implement state and local standards and goals for corrections.

Similar analytical techniques have been utilized in program reports on the diverse criminal justice activities studied, in order to obtain a set of cost estimates which can subsequently be used in analysis of inter- and intra-program shifts in the Project's system analysis. The cost typology which guides all of these reports is described in more detail in Appendix A-1 of this report.

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[1]National Advisory Commission on Criminal Justice Standards and Goals, Corrections (Washington, D.C.: Government Printing Office, 1973); hereafter referred to as Corrections.

Because the Project's reports are also intended to serve as guides to criminal justice administrators and planners, the results of the research effort are presented in two volumes, of which this is the second. Volume I summarizes the purpose, methodology and findings of the study. Though it is intended for use primarily by decision makers, analysts will find it useful as a quick companion reference to this volume. Volume II is intended for use by analysts, and provides them with detailed technical descriptions of estimation techniques applicable to analyzing the costs of halfway houses in any particular jurisdiction, as well as a presentation of the findings of this study.

The form and content of this program analysis have been guided by the Project's Plan for a Cost Analysis of the Corrections Report. Particularly pertinent to this halfway house analysis are the sections on programmatic changes and guidelines for the Project's general approach to program analysis.[1] Following procedures in the Plan, this report has been guided in part by comments of those who reviewed earlier drafts. The reviewers included selected members of the Project's Advisory Board and other state and local officials with interest or expertise in halfway houses.[2] The author is especially grateful for the information, assistance and advice given by Tom Gilmore, member of the Advisory Board and Senior Analyst at the Management and Behavioral Science Center, Wharton School of Finance; Sylvia Bacon, also a member of the Advisory Board and Judge of the Superior Court of the District of Columbia; Carolyn Jackson, Supervisory Auditor in the U.S. General Accounting Office; John Galvin, Director of the Alternatives to Jail Incarceration Project, American Justice Institute; Mike McCartt, Executive Director of Talbert House, Inc.; Tom Christiansen, Assistant Executive Director of Magdala Foundation; and Brian Riley, Executive Director of Massachusetts Halfway House, Inc.

The author wishes to thank Dr. Virginia B. Wright, Research Director of the Standards and Goals Project, and Billy L. Wayson, Director of the Correctional Economics Center, for their guidance and assistance throughout this research and writing effort, and most of all for their patience. Finally, the author is especially grateful to Barbara Bland, Administrative Assistant, who typed the manuscript (many times) and who is one of only two people in the world capable of decoding his handwriting.

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[1]Standards and Goals Project, Plan for a Cost Analysis of the Corrections Report (Washington, D.C.: American Bar Association, Correctional Economics Center, 1975), pp. 18, 19, 23, 24, and 34-37; hereafter referred to as Plan.

[2]Ibid.

CHAPTER I

INTRODUCTION

The very name halfway house suggests its position in the corrections world: halfway-in, a more structured environment than probation and parole; halfway-out, a less structured environment than institutions. As halfway-in houses they represent a last stop before incarceration for probationers and parolees facing or having faced revocation; as halfway-out houses, they provide services to prereleasees and parolees leaving institutions. Halfway houses also provide a residential alternative to jail or outright release for accused offenders awaiting trial or convicted offenders awaiting sentencing.

The role of halfway houses within corrections has increased significantly in the past decade. The 1974 Directory of Halfway Houses belonging to the International Halfway House Association includes houses from most of the 50 states, with a total of 1,370 houses listed; there are, in addition, a substantial number of halfway houses which do not belong to the association.[1]

At the beginning of an effort to describe and analyze the costs of halfway houses, one fact clearly stands out. That fact is the tremendous variation in all of the descriptive and cost characteristics of houses except one, population capacity.[2] There exists a wide range in

---

[1]Including some, apparently, who have not heard of the association. See the U.S. General Accounting Office study entitled Federal Guidance Needed If Halfway Houses Are To Be a Viable Alternative to Prison (Washington, D.C.: Government Printing Office, May, 1975).

[2]One comprehensive study takes it one step further:

> . . . No single definition can possible fit or describe the wide range of places and facilities which are called - or which call themselves - halfway houses. As of this writing, no single comprehensive picture could possibly encompass the hundreds of stations which serve offenders halfway between the instituion and the free society.
>
> At this point, it is perhaps accurate to say that innovation and diversity are perhaps the only characteristics which all these places have in common. Keller,

stated goals and objectives, locational characteristics, facility make-up and costs, staff size and staffing costs, number and types of services provided and costs of those services, and therefore average and total operating costs. Yet capacity and average population size are fairly constant for a cross-section of houses throughout the country--10 to 15 for most and 25 to 30 for the larger houses.[1]

To some degree, this variation among the other factors can be explained by: (1) the types of clients served (offenders directly sentenced to halfway houses, probationers, parolees, and prereleasees); (2) socio-economic variables associated with the types of clients served (most importantly age); and/or (3) geographical differences (such as differences in prevailing wage rates for different regions). But variation also exists among houses serving the same types of offenders with similar socioeconomic attributes within the same geographic area.

Following a general description of roles, goals, and policies of halfway houses, as they relate to specific Standards and recommendations in the Corrections Report, this report will single out and analyze the major factors accounting for cost variation. Cost estimates for a sample of halfway houses across the country will be used extensively in this analysis. Sample budgets will be employed to identify costs to the criminal justice system for halfway houses providing various combinations of services to individuals. Other costs external to the criminal justice system will also be explored. This analysis will focus on halfway houses serving adult clients, as time and resources do not permit an analysis of all halfway houses.

Oliver J., and Alper, Benedict S., Halfway Houses: Community Center Corrections and Treatment (Lexington, Mass.: Heath Lexington Books, 1970) p. 11.

[1]Alper, in Community Residential Treatment Centers (Hackensack, N.J.: National Council for Crime and Delinquency, April, 1966), states:

> In the matter of size we find perhaps greater agreement than in any other. Most residences set the optimal number of released prisoners who should be in care at any one time at between 10 and 25 with the latter figure the maximum. Given the turnover which may be expected in this type of facility, the chances are that the total number of persons at any one time will tend to fall below 25.

Both the statement and the figures mentioned remain accurate today.

TWO ROLES FOR HALFWAY HOUSES

The Corrections Report, in continually emphasizing the "least drastic means" policy for treating offenders, specifically identifies halfway houses as one of the sentencing alternatives which should be available within the criminal justice system. Standard 16.8, entitled Sentencing Alternatives, states:

> By 1975 each State should enact the sentencing legislation proposed in Chapter 5, Sentencing, reflecting the following major provisions:
>
> 1. All sentences should be determined by the court rather than by a jury.
>
> 2. The court should be authorized to utilize a variety of sentencing alternatives including:
>
> a. Unconditional release.
>
> b. Conditional release.
>
> c. A fine payable in installments with a civil remedy for nonpayment.
>
> d. Release under supervision in the community.
>
> e. Sentence to a halfway house or other residential facility located in the community.
>
> f. Sentence to partial confinement with liberty to work or participate in training or education during all but leisure time.
>
> g. Imposition of a maximum sentence of total confinement less than that established by the legislature for the offense.[1]

Standard 5.2, Sentencing the Nondangerous Offender, reinforces the previous Standard:

> State penal code revisions should include a provision that the maximum sentence for any offender not specifically found to represent a substantial danger to others should not exceed 5 years for felonies other than murder. No minimum sentence should be authorized by the legislature.
>
> The sentencing court should be authorized to impose a maximum sentence less than that provided by statute.
>
> Criteria should be established for sentencing offenders Such criteria should include:
>
> 1. A requirement that the least drastic sentencing alternative be imposed that is consistent with public safety. The court should impose the first of the following alternatives that will reasonably protect the public safety.

---

[1] Corrections, p. 569.

a. Unconditional release.
b. Conditional release.
c. A fine.
d. Release under supervision in the community.
e. Sentence to a halfway house or other residential facility located in the community.
f. Sentence to partial confinement with liberty to work or participate in training or education during all but leisure time.
g. Total confinement in a correctional facility.[1]

The preceding Standards identify halfway houses as one of several sentencing alternatives. A second role of halfway houses is that of a resource available to other activities within the criminal justice system (both pretrial and post-trial) for provision of services. Housing, food and in-house supervision may be provided to pretrial releases, probationers, releases from institutions, and parolees.

In discussing this second role of halfway houses and other forms of community-based corrections within the criminal justice system, the National Advisory Commission Report states:

> . . . Community-based correctional programs embrace any activity in the community directly addressed to the offender and aimed at helping him to become a law-abiding citizen. Such a program may be under official or private auspices. It may be administered by a correctional agency directly or by a noncorrectional service. It may be provided on direct referral from a correction agency or on referral from another element of the criminal justice system (police or courts). It may call for changing the offender through some combination of services, for controlling him by surveillance, or for reintegrating him into the community by placing him in a social situation in which he can satisfy his requirements without law violation. A community-based program may embrace any one or any combination of these processes.[2]

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[1] Ibid., p. 150.

[2] Ibid., p. 222.

As service-providing resources, halfway houses can thus be considered to be one of many community-based resources available to other criminal justice system agencies and departments.[1] Likewise as halfway houses serve as direct sentencing alternatives, the other agencies and departments (for example, probation and parole departments) should be considered as available resources to be utilized in maximizing the provision of services to halfway-housed clients. The ensuing analysis will deal with both roles but will concentrate on the first, that is on halfway houses as direct sentencing alternatives.

While halfway houses have existed for some years, until recently they served only in the second role described above, as mostly private, residential, community-based resources housing primarily ex-offenders and a few institutional prereleasees and parolees.[2] Only in very recent years have halfway houses been considered as sentencing alternatives to both institutionalization and, at the other end of the post-convictional sentencing spectrum, to non-residential community-based supervision, as the Corrections Report envisions:

> . . . Courts should not have to choose between total confinement and total freedom. The trend toward use of community-based programs for offenders after a period of incarceration suggests that community oriented programs with State control over leisure time are a valuable tool that should not be preconditioned in all cases on a period of total confinement. In addition, there may be resources available in the community which could provide a group living situation and supervision without the hardware and institutional control characteristics of most jails and other correctional facilities. Thus, courts should have "halfway-in" houses available to them for sentencing dispositions, comparable to those available to institutional decision-makers.[3]

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[1]The Corrections Report explicitly recommends that halfway houses (group homes) be available to parolees. Standard 12.6 states that "small community-based group homes should be available to parole staff for prerelease programs, for crises, and as a substitute to recommitment to an institution in appropriately reviewed cases of parole violation." (p. 430)

[2]The history of halfway houses has been described in some depth in the literature, and so will not be repeated in this report. See Keller and Alper, Halfway Houses, John M. McCartt and Thomas J. Mangogna, Guidelines and Standards for Halfway Houses and Community Treatment Centers (Washington, D.C.: U.S., Department of Justice, Law Enforcement Assistance Administration, May, 1973) and Patrick T. Deehy, Halfway House in the Correctional Sequence--A Case Study of a Traditional Residence for Inmates of a State Reformatory (Ann Arbor, Mich.: University Microfilms, 1969).

[3]Corrections, p. 570.

GOALS AND POLICIES OF HALFWAY HOUSES

Among the goals of individual halfway houses, the primary one appears to be universal: the movement and adjustment of offenders to independent community living, that is, helping offenders become productive, law-abiding citizens. Additional goals vary greatly, usually in terms of emphasis placed on different approaches toward reaching that primary goal. Additional goals, however, can be generalized as concentrating on employment, education, and reducing correctional costs. The following, for example, were goals identified by administrators of several houses:

- Development of attributes conducive to good employment,
- Placing the inmate in employment which he may retain after release,
- Providing an atmosphere suitable for education,
- Reducing confinements to state institutions,
- Offering an effective residential program at less cost per offender than institutions,
- Effecting a reduction in county costs.

A direct by-product of the goals identified by individual halfway houses is their screening procedures and policies which in turn define the types of offenders served by each house and the manner in which they are treated. There are significant differences as to screening procedures and policy orientation among the different houses, but two characteristics do predominate:

- Individuals accepted into halfway house programs tend to be:

  (1) young
  (2) inexperienced--first offenders or few prior convictions
  (3) non-dangerous--sentenced (or charged, if pretrial release) for a non-violent offense.[1]

---

[1]This characteristic/observation has been noted as well in Keller and Alper, Halfway Houses: Community Center Corrections and Treatment, and in the General Accounting Office report, Federal Guidance Needed If Halways Houses Are To Be a Viable Alternative to Prison.

Not all halfway house programs concur with this rigid screening/acceptance policy, however; some accept any offender who demonstrates a willingness to enter the program. Massachusetts Halfway House, Inc., for example, which has served over a thousand clients in its program over the past decade, states that its "typical" client has had 12 arrests and 4 incarcerations.

- Halfway house policies and programs focus on employment and to a lesser degree, education and vocational training.

There are two interrelated factors which account for the fact that offenders admitted tend to be young, inexperienced, and non-dangerous. The first is concern for community safety and for community attitudes toward the halfway house. If the clientele of the houses are young, inexperienced and adjudged to be non-dangerous, it is believed that they are less likely to commit additional felonies so that community fear, and voiced opposition in response to that fear, will be lower.

The second factor is more questionable. It is that such offenders are less set in their ways, and hence are more likely to respond to the halfway house program and the services provided. The probability for "successful" termination or graduation from halfway house programs is therefore expected to be higher for young, inexperienced and non-dangerous offenders than for the offender population as a whole, and especially for offenders with multiple prior convictions for armed offenses and other "violent" crimes.

The definition of what constitutes a "successful" graduate of a halfway house program (as well as a successful graduate of diversion, probation, parole or any criminal justice program), and what should be the criteria to determine success are delicate and volatile issues.[1] Both of these issues are important research

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[1] McCartt and Mangogna, in Guidelines and Standards for Halfway Houses and Community Treatment Centers, discuss the whole issue of what types of offenders or clients should be serviced. In particular, they state:

> Keeping in mind that the halfway house has an obligation to the community of which it is a part, as well as to its clients, adequate controls to safeguard the community as well as sound judgement in selection of program participants, must be exercised.
>
> This should not be interpreted to mean that the halfway house should accept only those clients whose success is relatively assured, but that it should not accept those types of clients with which it is unable to cope or help. Admittedly, the number of prospective clients who fall into this latter category is a small percentage of the total offender population. (p. 39)

topics in their own right; but as this report is a comprehensive cost analysis and neither a cost/benefit nor a cost/effectiveness analysis, these issues are dealt with only indirectly. It is hoped, however, that the cost estimates and cost estimation techniques derived here will be used as a basis for subsequent cost/benefit and cost/effectiveness research efforts.

All relevant costs have been included in this report, including external costs, costs to the community in which a house is located, and opportunity costs to clients of halfway houses, as well as public criminal justice system expenditures. A complete discussion of each of the types of costs considered in this report is contained in Appendix A-1. The analysis of these costs is the subject of the following chapters.

CHAPTER II

CRIMINAL JUSTICE SYSTEM EXPENDITURES FOR HALFWAY HOUSES

This chapter contains an analysis of the criminal justice costs incurred by halfway houses in providing a mix of services to clients. The first section deals with variation in costs among existing houses. A sample of halfway houses is presented from which the discussion is drawn.

The second section contains an analysis of the major sources of variation among houses in the sample.

Four sets of direct criminal justice expenditures estimates for houses offering alternative sets of in-house services are provided in the third section.

The final section analyzes additional criminal justice system costs.

For the sake of uniformity, when average costs are presented throughout this report, they are based on the assumption that houses are operating at capacity, that is, at an occupancy level of 100 percent. Operation at less than capacity raises average costs accordingly, although if fewer clients are served, food and supply costs will be lower. Many houses apparently operate at less than capacity.[1]

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[1]A recent study of halfway houses and other community-based correctional facilities in Minnesota by the Evaluation Unit of the Governor's Commission on Crime Prevention and Control found that post start-up occupancy rates for houses surveyed ranged from only 37.9 percent to 58.6 percent. The low occupancy rates were attributed to three major factors: (1) their very nature, community corrections projects are not affiliated with the criminal justice system and must independently recruit clientele, (b) some projects do not serve a large enough population to keep the project filled, and (3) the occupancy rate is dependent almost entirely upon the policies of the Minnesota Department of Corrections. "Residential Community Corrections Programs--Summary and Recommendations--A Preliminary Evaluation" prepared by Evaluation Unit, Minnesota Governor's Commission of Crime Prevention and Control, (St. Paul: April, 1975). (Xeroxed.)

VARIATION IN COSTS AMONG EXISTING HOUSES

As was stated in the Introduction, perhaps more variation exists among halfway houses than among any other of the correctional alternatives. Although no cost analyses of halfway houses have been attempted thus far, several general studies have alluded to the variation in descriptive and cost characteristics and have posited different explanations for the variation.[1] For this analysis it was decided that the best approach would be to take a representative sample of houses across the country to determine the extent of variation among those houses, and to analyze the variation.

Selection of a Sample of Halfway Houses

The sample of houses was selected on the basis of several criteria. They represent a cross-section of houses across the country by size, type (state operated, private independent, private agency-operated), services provided, location (geographical region, size of city, type of neighborhood) and types of clients served. The methodology employed in selecting the sample of houses is described in detail in Appendix A-2.

Characteristics of Houses in the Sample

Table 1 on pages 11 and 12 presents the houses included in the sample, the cities in which they are located, and the respective populations of those cities.

Talbert House Incorporated, located in Cincinnati, Ohio, operates a variety of programs, both residential and non-residential. Its residential programs include five halfway houses: two for men, McMillan House and Wesley House; one for women, Halfway House for Women (HHW); a Residential Youth Treatment Project (RYTP) and Vendanta, a house serving primarily drug offenders. The houses operate primarily on per diem contracts with the Municipal Court Probation Office and the state Adult Parole Authority. Talbert House is also funded by the County Community Mental Health and Mental Retardation Board, the City Board of Health, the Bureau of Vocational Rehabilitation, the County Welfare Board, and private donations. The houses serve individuals from a wide range of jurisdictions: county probation, municipal probation, state parole, Treatment Alternatives to Street Crimes (TASC), federal work release, and federal parole.

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[1] See both Keller and Alper, Halfway Houses, and Deehy, Halfway House in Correctional Sequence.

Table 1

Houses Included in the Sample

HALFWAY HOUSE PROGRAM	LOCATION	POPULATION [a]
Talbert House, Inc. (five houses)	Cincinnati, Ohio	426,245
Dismas House	Kansas City, Missouri	487,799
Reality House	Columbia, Missouri	60,832
Morman House	Farmington, Missouri	7,250
Magdala Foundation (four houses)	St. Louis, Missouri	558,006
Home of Industry for Discharged Prisoners (HIDP)	Philadelphia, Pennsylvania	1,861,719
Community Outreach Services (COS)	Daytona Beach, Florida	47,352
Jacksonville Adult Development Centers Project (JADCP) (four houses)	Jacksonville, Florida	521,953
Washington Halfway House for Women (WHHW)	Washington, D.C.	733,801
Bureau of Rehabilitation for National Capital Area (BRNCA) (five houses)	Washington, D.C.	733,801
District of Columbia Department of Corrections (three community corrections centers)	Washington, D.C.	733,801
Georgia Department of Corrections (three adjustment centers)	Atlanta, Georgia	451,123
Minnesota Department of Corrections: Project Reentry Restitution Center	Minneapolis, Minnesota	382,423

(cont'd)

Table 1 (cont'd)

Washington Department of Social Health Services Comm-Home House	Pasco, Washington	14,277
Pioneer Fellowship House	Seattle, Washington	503,073
Family House	Seattle, Washington	503,073
Opportunity Center	Waco, Texas	98,713

[a]Population estimates are for 1973 and are from the U.S. Bureau of the Census.

Dismas House, in Kansas City, Missouri, is a non-profit organization committed to "alleviating the crowded conditions of the county jail while providing a program of rehabilitation and custodial care." Dismas House serves recidivist offenders over 21 referred by and/or under per diem contract with the Missouri Division of Corrections, the Federal Bureau of Prisons (BOP), the Board of Probation and Parole, the Jackson County Department of Corrections, and the Circuit Courts. Dismas House is also funded by a grant from LEAA, private contributors, and room and board payments by participants of up to $28 per week based on earnings.

Reality House, in Columbia, Missouri, describes itself as a "community residential treatment center designed for the client who is capable of actively involving himself in therapy." Reality House serves clients referred by the Missouri Department of Corrections, regional Probation and Parole Offices, Circuit Court judges and other criminal justice system agencies. Reality House is funded primarily by LEAA.

The William Howard Morman House, located in Farmington, Missouri, was established in 1972 and serves probationers and parolees who are primarily first offenders from a ten-county rural area. Morman House operates under per diem contracts with both the Missouri Division of Corrections and the Federal Bureau of Prisons, but receives most of its funding from LEAA. Clients contribute a portion of their earnings for room and board on an upward scaled percentage basis.

Magdala Foundation operates four halfway houses in St. Louis, Missouri: one for women and three for men. They provide an overall service-intensive program to primarily probationers and parolees between the ages of 17 and 21. In addition to the houses, Magdala Foundation operates both a mandatory six-month after-care program for graduates of the residential program, and a non-residential vocational and counseling service program. The Foundation is funded by the state, LEAA, private contributions, and room and board payments by residents ranging up to $21 per week.

The Home of Industry for Discharged Prisoners (HIDP), located in Upper Darby (Philadelphia), Pennsylvania, is an incorporated non-profit organization with the stated objectives of "helping ex-prisoners to enter society by awakening an incentative to their manliness and good citizenship." HIDP dates its origin back to 1889 and now serves primarily parolees faced with revocation. HIDP is almost completely funded by LEAA grants and by room and board payments by residents of $20 per week.

Community Out-Reach Services (COS), which formerly operated under the name Cain House, is located in Daytona Beach, Florida, and serves probationers, parolees and prereleasees referred by and under contract to the Florida Department of Offender Rehabilitation, Federal

Bureau of Prisons and the Division of Probation. COS is also funded by LEAA and private contributors.

The Jacksonville Adult Development Centers Project (JADCP), in Jacksonville, Florida, operates four houses under the auspices of the Jacksonville Department of Human Resources. The four houses, Bold City, Walnut House, Probationer's Residence, and Women's Probationer's Residence, serve primarily probationers with histories of drug and alcohol problems who have been sentenced directly by one of the judges or referred by a state or federal probation/parole supervisor. JADCP is funded by LEAA with lesser matching shares by the state and the city.

The Washington Halfway House for Women (WHHW), in the District of Columbia, has operated since 1972 with the stated objective of "providing a comprehensive program of services to convicted women offenders who would otherwise be in institutions." WHHW serves primarily prereleasees, under contract with the District of Columbia Department of Corrections.

The Bureau of Rehabilitation of the National Capital Area (BRNCA), also located in Washington, D.C., has existed since 1929 and now operates five houses for men and women: Shaw Residence #1, Shaw Residence #2, Community Care Center, Shaw Residence #3, and the Residential Treatment Center. BRNCA houses clients under contract from both the Federal Bureau of Prisons and the D.C. Department of Corrections, and is further funded by LEAA and the United Way.

The D.C. Department of Corrections operates several halfway houses, three of which are included in the sample: Community Corrections Centers #1, #4 and #5. The three houses serve felon prereleases from the D.C. Department of Corrections and also misdemeanants from the city jail.

The Georgia Department of Corrections is currently in the process of opening and operating several adjustment centers and restitution centers throughout the state, including three in Atlanta. A "typical" adjustment center is included in the sample.

Two halfway house projects operated by the Minnesota Department of Corrections in Minneapolis are included: Project Reentry housing prereleasees from institutions within the Department of Corrections and the Restitution Center which houses selected property offenders diverted out of the Minnesota State Prison following completion of a contractual arrangement specifying the amount, form and schedule of restitution to be made.

Comm-Home House, located in Pasco, Washington, was started four years ago as a private, non-profit organization but has been operated for the past year by the Washington Department of Social Health Services. Comm-Home serves preleasees from state institutions who are adult felons.

Pioneer Fellowship House, in Seattle, Washington, is one of four houses operated by the Pioneer Cooperative Affiliation and serves primarily state work releasees, under contract with the state. (The other houses serve alcoholics and others outside the criminal justice system.) Pioneer Fellowship House has been open since 1965.

Family House, also located in Seattle, is a residential program serving primarily probationers and parolees with drug problems (and their dependents). Family House seeks to provide a total environment of services geared toward reintegrating the drug abuser into society. Family House is funded by both state and LEAA grants.

Opportunity Center, located in Waco, Texas, began operating in 1972 and serves exclusively probationers. The Project Director is Chief of the local Probation Department, and the daily manager is a Probation Officer. In addition, two community resources specialists from the Probation Department assist the clients. The specific objective of the program is to provide a homelike environment for young adult probationers between the ages of 17 and 25, in which their material needs can be met while supervision, discipline, and guidance can be provided. The House is funded by state and LEAA funds, private contributions, and resident room and board payments of $20 per week.

Cost Variation Among Houses in the Sample

A major problem in estimating and analyzing criminal justice system expenditure costs for halfway houses is that accounting policies differ widely. Certain expenditures which are legitimate costs borne by houses may be excluded. For several houses in the sample, for example, both rent and fringe benefits were excluded from reports on budgeted expenditures. Excluding either biases the costs downward.

Facility costs however, pose an additional problem in that several of the houses in the sample are completely owned and hence no rental payments or mortgage payments are made.[1] To simply assume no rent payments (rent = 0) in those situations is to bias the cost estimates downward, as compared to the houses paying rent (in effect

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[1]Facility costs in this report are defined to be the rental costs or rental equivalents. Normal maintenance costs are a separate category and are included in other operating costs.

penalizing the less well-funded houses or foundations on a cost analysis level). Therefore, there are two alternative approaches to ensuring that the cost analysis remains unbiased: (1) to determine rental equivalents for those houses which own their facilities and include that amount in the operating costs for each house or (2) to first determine rent equivalents and analyze facility cost variation, and then conduct a separate analysis of remaining operating costs. The second approach is the one employed in this analysis of variation among different criminal justice system expenditures. In subsequent sample budgets presenting cost estimates for houses offering various combinations of services, however, both the rental payments and rental equivalents are used to compute facility costs.

Facility Cost Variation Among Houses in the Sample

Table 2, pages , presents both descriptive and cost characteristics of the houses included in the sample. The first group of columns contains descriptive data: types of facilities, age, capacity, and useable square footage in floor space. The second set of columns contains data in current dollars. That is, for facilities which have been purchased, the purchase price and amount of renovations are listed in the years expended; annual rent is included for the halfway house activities which rent. In the third set of columns, annual rent and rental equivalents have been calculated by converting purchase price and renovation expenditures into calendar 1974 dollars, employing the index of home ownership costs (compiled by the Bureau of Labor Statistics) and applying an annual rate of 12 percent which includes allowances for both annual capital cost and a normal rate of return. Footnote 2 of Table 2 describes the rationale for applying the 12 percent rate; a more detailed description of the rental estimation process is contained in Appendix A-4. Facility costs in this report are defined to be the rental costs or rental equivalents.[1] Maintenance costs are a separate category and are included in operating costs.

As Table 2 illustrates, there is considerable variation among the houses in the sample in both descriptive and facility cost characteristics. The facilities are for the most part rented (58 percent) and are mostly former family residences; the remainder include floors of YWCA buildings, a former convent, and a former fraternity house.

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[1]All of the halfway house facilities in the sample have either been purchased or rented; none of the halfway house programs built their own facilities. Architectural guidelines for construction of halfway house facilities have been developed by the National Clearinghouse for Criminal Justice Planning and Architecture at the University of Illinois, Urbana.

Table 2

Facility Costs in Current and 1974 Dollars for a Sample of 30 Houses

Facility Name	Description			Facility Cost in Current Dollars			Annual Rent in 1974 Dollars[b]		
	Structure	Size[a]	Capacity	Type	Amount	Year	Total	Per Bed	Per Day
TALBERT HOUSE, INC.									
McMillan House	old former boarding house	7,400	16	Purchase	$27,500	1969	$6,669	$417	$1.14
				Renovation	$12,000	1969			
Wesley House	old former rectory	8,500	17	Annual Rent (rented from Archdiocese in Cincinnati)	$1.00	1974	$4,800	$282	$ .77
Vendanta House	3 adjacent old buildings	NA	30	Annual Rent	$8,400	1974	$8,400	$280	$ .77
Halfway House for Women	former apartment building	8,000	15	Purchase	$3,000	1971	$4,541	$303	$ .83
				Renovation	$28,000	1971			
Residential Youth Treatment Project	former fraternity house	NA	18	Annual Rent	$7,200	1974	$7,200	$400	$1.10
DISMAS HOUSE	60 yr. old stucco 3 story house	5,600	24	Purchase	$9,000	1972	$1,817	$ 76	$ .21
				Renovation	$4,000	1972			
REALITY HOUSE	100 yr. old former fraternity house	11,000	14	Annual Rent	$9,000	1974	$9,000	$643	$1.76

(cont'd)

Table 2 (cont'd)

Facility Name	Description			Facility Cost in Current Dollars			Annual Rent in 1974 Dollars[b]		
	Structure	Size[a]	Capacity	Type	Amount	Year	Total	Per Bed	Per Day
MORMAN HOUSE	2 story frame house	1,900	10	Annual Rent	$4,800	1974	$4,800	$480	$1.32
MAGDALA FOUNDATION									
Missouri Ave. House	105 yr. old former residence (Busch Family)	5,612	22	Purchase Renovation	$11,000 $42,000	1967 1967	$10,380	$472	$1.29
N. 11th Street House	103 yr. old former convent	3,933	18	Purchase Renovation	$ 9,000 $30,000	1971 1971	$ 5,712	$317	$ .87
Rauschenbach House	101 yr. old former Salvation Army Res. for Women and Children	5,600	25	Purchase Renovation	$ 8,000 $47,000	1974 1974	$ 6,600	$264	$ .72
West Pine House	60-65 yr. old former residence	7,900	25	Purchase Renovation	$ 9,000 $71,000	1974 1974	$9,600	$384	$1.05
HOME OF INDUSTRY FOR DISCHARGED PRISONERS	old 3 story brick and frame house	3,250	15	Purchase	$22,000	1972	$3,075	$205	$ .56

(cont'd)

Table 2 (cont'd)

Facility Name	Description			Facility Cost in Current Dollars			Annual Rent in 1974 Dollars[b]		
	Structure	Size[a]	Capacity	Type	Amount	Year	Total	Per Bed	Per Day
Community Outreach Services	40 yr. old 2 story wood frame house	3,300	14	Annual Rent	$3,600	1974	$3,600	$257	$ .70
JACKSONVILLE ADULT DEVELOPMENT CENTERS PROJECT Bold City	25 yr. old former residence	3,300	22	Annual Rent	$3,000	1974	$3,000	$136	$ .37
Walnut House	7 yr. old former residence	3,600	15	Annual Rent	$3,600	1974	$3,600	$240	$ .66
Probationers Residence	30 yr. old former residence	6,720	30	Annual Rent	$3,000	1974	$3,000	$100	$ .27
Women Probationers Residence	30 yr. old YWCA	NA	12	Annual Rent	$8,784	1974	$8,784	$732	$2.01
WASHINGTON HALFWAY HOUSE FOR WOMEN	3 bedroom brick	NA	16	Annual Rent	$12,000	1974	$12,000	$750	$2.05
BUREAU OF REHABILITATION FOR NATIONAL CAPITAL AREA Shaw #1	former residence	NA	24	Purchase	$45,000	1964	$9,642	$402	$1.10

Table 2 (cont'd)

Facility Name	Description			Facility Cost in Current Dollars			Annual Rent in 1974 Dollars[b]		
	Structure	Size[a]	Capacity	Type	Amount	Year	Total	Per Bed	Per Day
Shaw Residence # 2	2 former residences	NA	24	Purchase	$60,000	1969	$10,130	$422	$1.16
Community Care Center	former residence	NA	30	Purchase	$80,000	1972	$11,183	$373	$1.02
Shaw Residence #3	former residence	NA	24	Annual Rent	$ 7,800	1974	$ 7,800	$325	$ .89
Residential Treatment Center	former residence	NA	25	Annual Rent	$10,200	1974	$10,200	$408	$1.12
DEPARTMENT OF CORRECTIONS, DISTRICT OF COLUMBIA									
Center #1	apartment building	NA							
	apartment building	NA	40	Annual Rent	$13,800	1974	$13,800	$345	$ .95
Center #4	interconnected former residences	NA	23	Annual Rent	$ 7,200	1974	$ 7,200	$749	$ .86
Center #5	apartment building	NA	40	Annual Rent	$29,945	1974	$29,945	$313	$2.05

(cont'd)

Table 2 (cont'd)

Facility Name	Description			Facility Cost in Current Dollars			Annual Rent in 1974 Dollars[b]		
	Structure	Size[a]	Capacity	Type	Amount	Year	Total	Per Bed	Per Day
DEPARTMENT OF CORRECTIONS, GEORGIA Adjustment Center	apartment building	NA	30	Annual Rent	$24,600	1975	$23,730	$791	$2.17
DEPARTMENT OF CORRECTIONS, MINNESOTA Project Reentry	1 floor of Salvation Army building	5,750	28	Annual Rent	$ 5,500	1974	$ 5,500	$196	$ .54
Restitution Center	floor of YMCA	4,500	23	Annual Rent	$32,000	1974	$32,000	$1,391	$3.81
COMM-HOME HOUSE	former residence	NA	14	Annual Rent	$ 3,960	1974	$ 3,960	$283	$ .77
PIONEER FELLOWSHIP HOUSE	55 yr. old 3 story former residence	7,200	33	Purchase Renovations	$16,000 $18,000	1965 1970	$ 6,123	$186	$ .51
FAMILY HOUSE	former 8 unit apartment building	NA	22	Purchase Renovations	$92,500 $11,522	1971 1971	$15,236	$693	$1.90
OPPORTUNITY CENTER	old 3 story former residence	5,000	23	Purchase Renovations	$17,500 $ 5,000	1972 1972	$ 3,145	$137	$ .38

NA indicates that data are not available.

[a]Useable square footage of floor space.

[b]In order to provide a basis for comparing the relative facility costs of different houses, for facilities purchased and/or renovated, a commensurate rental has been estimated by employing the index of home ownership costs (Consumer Price Indexes for Selected Items and Groups, Bureau of Labor Statistics) to convert to the calendar 1974 dollars, and applying an annual rate of 12 percent. The annual cost of capital depends on interest costs and amortization periods. Borrowing rates in recent years have been in the range of 7 to 9 percent. For most states, adding an amortization factor providing a little margin for uncertainty makes 10 percent a reasonable cost of capital. The other two percent represents an allowance for a non-compounded rate of return on capital invested of 8 percent, on the assumption that 25 percent of the total market value of the facility has been directly invested as capital. A complete presentation of the commensurate rental estimation process is contained in Appendix A-4.

The facilities ranged in age from over a hundred years to fairly recently constructed residences. In terms of size, here measured in useable square footage of floor space, facilities in the sample ranged from 3,250 square feet for 15 clients upward. Capacities ranged from a low of 10 to a high of 40; most however, clustered around the 15 to 25 capacity levels.

Facility costs exhibited variation in all categories, ranging from a low of $1,817 per year and $76 per year per bed to a high of $32,000 per year and $1,391 per year per bed, with most houses clustering within the $100 to $500 range for facility costs per year per bed. Median annual facility costs per bed for the sample is $335; the mean is $404 per year per bed.

Figures 1A and 1B, page 24, illustrate the range and distribution of average (per bed) facility costs for the houses. In Figure 1B, the distribution is highly skewed to the right indicating that while most houses fall into the $100 to $500 range, several houses have facility costs significantly higher than the sample mean and median (the sample mean exceeds the sample median by 21 percent).

From sample data, two significant patterns can be determined: (1) rental costs are higher on the average than rental equivalent costs (alternatively, houses in the sample that rent have higher facility costs than those that have bought); (2) houses operated by Departments of Corrections have higher facility costs than do privately owned houses.[1] As to the first, in the long run, it is typically more economical to buy than to rent for all types of buildings since some rate of return is always included in the rental rate. In the case of halfway houses which tend to locate in transitory neighborhoods where turnover of tenants is relatively high, rental prices may be relatively even less economical.[2] In addition,

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[1]Average annual facility cost for facilities that are rented is $455/bed as compared to $332/bed for facilities which have been purchased. Average facility cost for the facility rented by state operated activities is $580/bed compared to the sample average of $404/bed.

[2]The decision as to where (in which neighborhood) to locate within a city is ultimately a function of three principal factors: (1) access to community-based services, including access to public transportation; (2) public attitude toward halfway houses; (3) facility costs--average costs of rent or acquisition for one neighborhood as compared to another (which includes tradeoffs between facility costs and transportation costs of clients and staff if such transportation costs are paid for by the house). In general, access to community-based services including public transportation is better in more established neighborhoods, but in less established, transitory neighborhoods there is less community opposition as well as lower facility

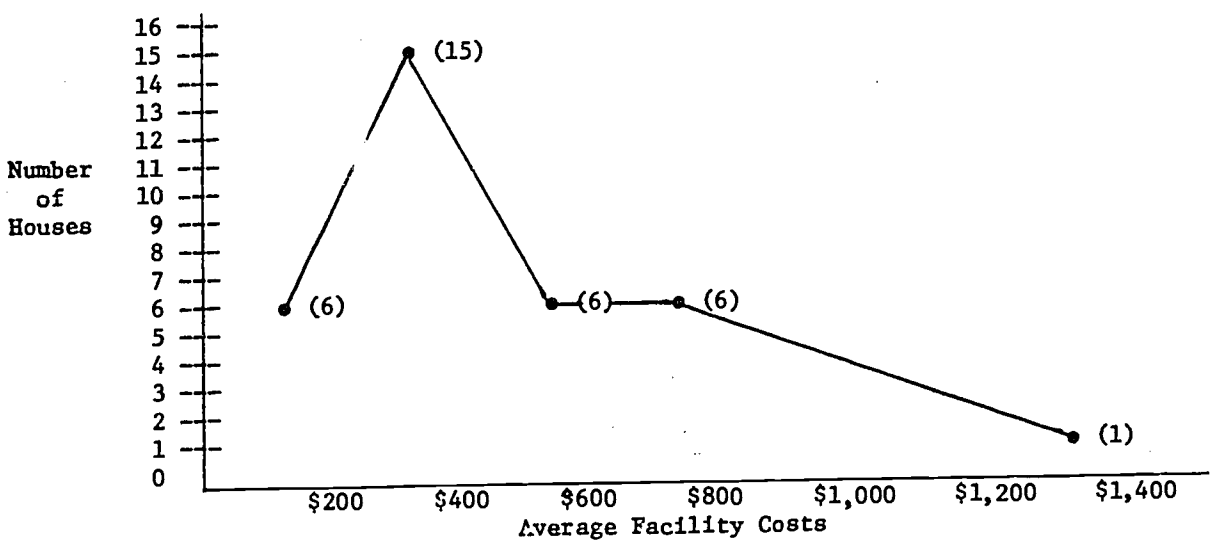
Figure 1A

Range of Average (Per Bed) Annual Facility Costs for the Sample

Range of Average Facility Costs	Number of Houses
0 - $200	6
$201 - $400	15
$401 - $600	6
$601 - $800	6
> $800	1

Figure 1B

Graphical Distribution of Average
(Per Bed) Annual Facility Costs for the Sample



rental prices are closely tied to the demand and supply conditions of the rental unit market. In a locality where the rental market is very tight, the long run cost differential between owning and renting will be larger.

A subsequent section of this report dealing with the variation in costs (including facility costs) attributed to regional differences (among geographical regions, states, cities, and sections of cities) will include a discussion of facility cost differentials. (See page 47).

Figures 2A, 2B and 2C, pages 26, 27, illustrate the ranges and distribution of average facility costs for private houses and state-operated houses. Whereas the distribution of average facility costs for private houses is a bell-shaped curve approximating a normal distribution, the distribution of average facility costs for state-operated houses is both flat and wide, part of which is attributable to the small size of the sample. There are two other reasons for both the higher mean and greater variation. The first is that state departments of corrections, like other state agencies, typically must justify operation on an annual budget. This justification, on a short run rather than a long run basis, usually calls for renting rather than purchasing facilities, regardless of whether or not it is less expensive in the long run (the total period for which a house is operated) to purchase rather than rent.[1]

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costs. Whether transitory neighborhoods are less or more desirable is a controversial matter. For example, Alper and Keller state that

> . . . [halfway houses] in urban areas are often located in transitional neighborhoods where lack of community cohesion and anonymity make public protest less likely. Furthermore, many residents come from similar neighborhoods, will return to them and therefore need help in coping with the condition there prevailing. (p. 117)

On the other hand, in an undated pamphlet entitled "The Residential Center: Corrections in the Community," (p. 47), the Bureau of Prisons counters that

> Many "halfway houses" have been located in the most deteriorated facilities and sometimes this has been defended by arguing that they should not be in "better" neighborhoods that are better than those from which offenders come. At this time there is no real evidence that the argument has validity.

[1]Personal interview with the director and assistant director of Community Services, D.C. Department of Corrections.

Figure 2A

Ranges of Average Annual Facility Costs for Private and State-Operated Houses

Ranges of Average Facility Costs	Number of Private Houses	Number of State-Operated Houses
$0 - $200	4	2
$201 - $400	12	3
$401 - $600	6	0
$601 - $800	4	2
> $800	0	1

Figure 2B

Graphical Distribution of Average Annual Facility Costs for Private Houses

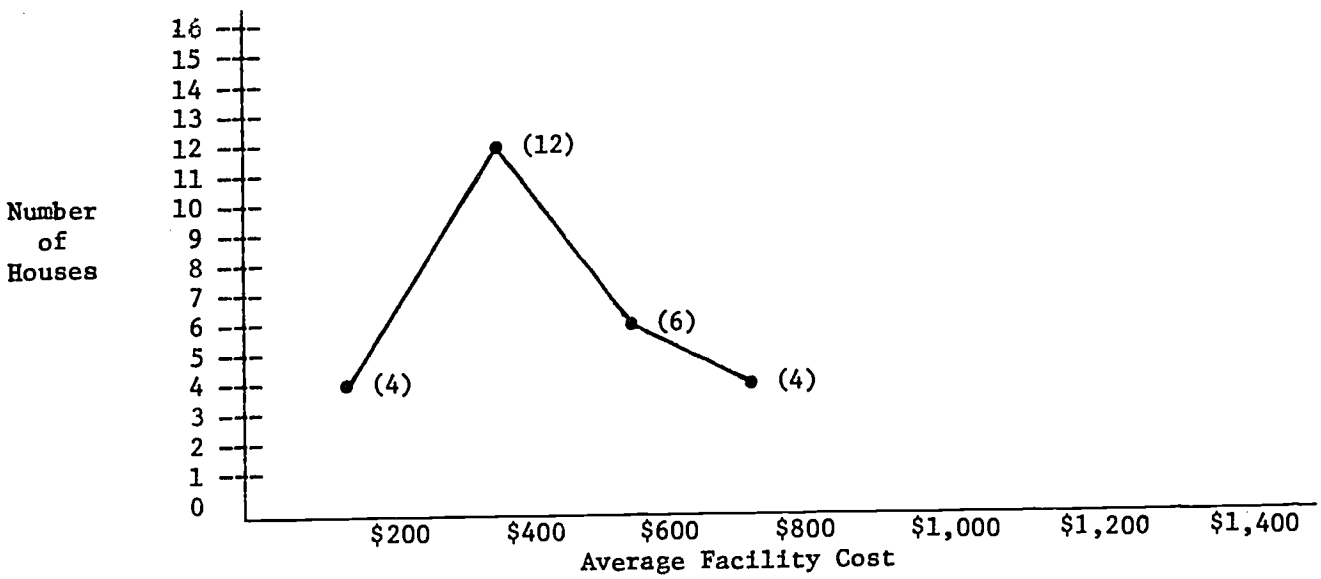
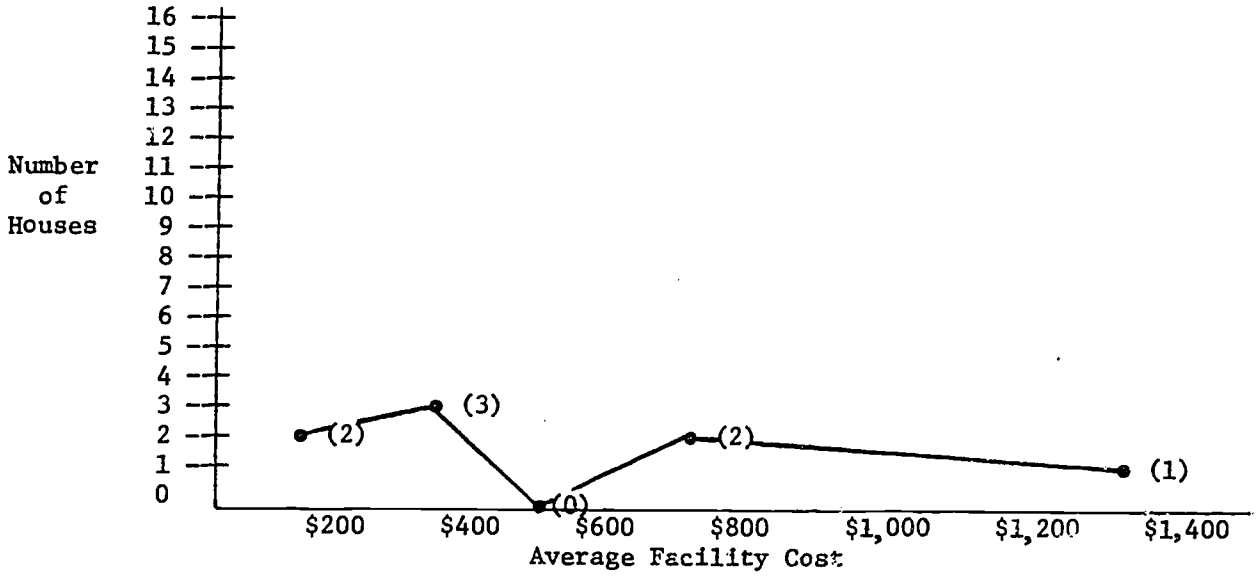


Figure 2C

Graphical Distribution of Average Annual Facility Costs for State-Operated Houses



The second reason is that because any financial returns from short or long run investments or savings from budget underruns typically are channeled into general funds, there may be no incentives to seek out the least cost facility alternative.

Of the private houses, some rent by necessity rather than by choice because of limited funding. The impact of the level of funding upon halfway house costs including facility costs will be included in the analysis of sources of variation under the section entitled Availability of Resources.

The next section discusses variation for the other operating cost categories among houses in the sample.

Variation in Other Operating Costs

This section deals with the variation in operating costs exclusive of facility costs. Operating costs for this analysis include personnel costs: salaries, wages, and fringe benefits; and non-personnel costs (exclusive of rent) which include: travel and transportation, office supplies and equipment, consultant and contract services, utilities, communications, maintenance, operating supplies and food. The term operating costs, when used throughout the remainder of this chapter, will denote operating costs exclusive of rent, unless specifically stated otherwise.

Table 3, pages 29-32, presents operating costs in current and 1974 dollars for the houses in the sample. The index employed for converting current dollars into Calendar 1974 dollars was the index of state and local government expenditures, Gross National Product implicit price deflator obtained from the Bureau of Economic Analysis. The third column indicates the type of expenditure represented. Where calendar 1974 or fiscal 1975 actual expenditures were not available, fiscal and calendar 1975 budgeted expenditures were included in the sample base. Total average (per bed) annual, and daily operating costs are presented in the last three columns.

Average (per bed) daily costs range from a low of $4.77 to a high of $27.58. The median daily operating cost of the houses in the sample is $13.33; mean average daily operating cost is $13.55. Figures 3A and 3B, page 33, illustrate the range and distribution of average daily operating costs for the sample of 30 houses. The distribution approximates that of the bell-shaped normal curve, but is skewed slightly to the right and flatter indicating the presence of more variation than occurs within the standard normal distribution.

Table 3

Operating Costs Excluding Facility Costs in Current and 1974 Dollars for a Sample of 30 Houses[a]

Facility	Capacity	Total Operating Costs Excluding Facility Costs in Current Dollars		Operating Costs Excluding Facility Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount	Total	Per Bed Annual	Per Bed Daily
TALBERT HOUSE, INC. McMillan House	16	Calendar 1974 Actual	$72,386	$72,386	$4,524	$12.39
Wesley House	17	Calendar 1974 Actual	$75,930	$75,930	$4,466	$12.24
Vendanta House	30	Calendar 1974 Actual	$123,915	$123,915	$4,131	$11.32
Halfway House for Women	15	Calendar 1974 Actual	$88,158	$88,158	$5,877	$16.10
Resi. Youth Tmnt. Proj.	18	Calendar 1974 Actual	$89,575	$89,575	$4,976	$13.63
DISMAS HOUSE	24	Calendar 1974 Actual	$106,714	$106,714	$4,446	$12.18
REALITY HOUSE	14	Calendar 1975 Budgeted	$62,420	$37,451	$4,104	$11.24
MORMAN HOUSE	10	Fiscal 1975 Budgeted	$52,270	$49,923	$4,992	$13.68
MAGDALA FOUND. Missouri Ave. House	22	Calendar 1974 Actual	$107,072	$107,072	$4,867	$13.33
N. 11th St. House	18	Calendar 1974 Actual	$101,865	$101,865	$5,659	$15.50
Rauschenbach House	25	Calendar 1975 Budgeted	$126,858	$116,760	$4,670	$12.79

(cont'd)

Table 3 (cont'd)

Facility	Capacity	Total Operating Costs Excluding Facility Costs in Current Dollars		Operating Costs Excluding Facility Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount	Total	Per Bed Annual	Per Bed Daily
West Pine House	25	Calendar 1975 Budgeted	$125,529	$115,536	$4,621	$12.66
HOME OF IND. FOR DISCH. PRIS.	15	Calendar 1974 Actual	$38,277	$38,277	$2,551	$6.99
Comm. Outreach Services	14	Fiscal 1975 Budgeted	$55,830	$53,323	$3,809	$10.44
JACKSONVILLE AD.DEV.CTS. PROJ. Bold City	22	Calendar 1975 Budgeted	$76,277	$70,205	$3,191	$8.74
Walnut House	15	Calendar 1975 Budgeted	$79,302	$72,990	$4,866	$13.33
Probationers Residence	30	Calendar 1975 Budgeted	$91,108	$83,856	$2,795	$7.66
Women Prob. Resi.	12	Calendar 1975 Budgeted	$69,179	$63,672	$5,300	$14.54
WASHINGTON HWY. FOR WOMEN	16	Fiscal 1975 Budgeted	$168,615	$161,044	$10,065	$27.58
BUR. REHAB. FOR NAT. CAP. AREA (Avg. 5 houses)	25	Fiscal 1975 Budgeted	$187,427	$179,011	$ 7,160	$19.62

(cont'd)

Table 3 (cont'd)

Facility	Capacity	Total Operating Costs Excluding Facility Costs in Current Dollars		Operating Costs Excluding Facility Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount	Total	Per Bed Annual	Per Bed Daily
DEPT. CORR. DIST. OF COL. Center #1	40	Fiscal 1975 Estimated-Actual[c]	$222,489	$212,499	$5,313	$14.55
Center #4	23	Fiscal 1975 Estimated-Actual[c]	$158,430	$151,316	$6,579	$18.02
Center #5	40	Fiscal 1975 Estimated-Actual[c]	$238,410	$227,705	$5,693	$15.60
DEPT. CORR. GEORGIA (Avg. for three adjustment centers)	30	Fiscal 1976 Budgeted	$180,123	$159,823	$5,327	$14.60
DEPT. CORR. MINNESOTA Project Reentry	28	Fiscal 1975 Budgeted	$152,725	$145,868	$5,210	$14.27
Restitution Center	23	Fiscal 1975 Budgeted	$147,855	$141,216	$6,140	$16.82
COMM-HOME HOUSE	14	Fiscal 1975 Budgeted	$109,072	$104,175	$7,441	$20.39

(cont'd)

Table 3 (cont'd)

Facility	Capacity	Total Operating Costs Excluding Facility Costs in Current Dollars		Operating Costs Excluding Facility Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount	Total	Per Bed Annual	Per Bed Daily
PIONEER FELLOW-SHIP HOUSE	33	Calendar 1974 Actual	$128,024	$128,024	$3,880	$ 10.63
FAMILY HOUSE	22	Calendar 1974 Actual	$88,000	$88,000	$4,000	$ 10.96
OPPORTUNITY HOUSE	23	Fiscal 1975 Budgeted	$41,967	$40,083	$1,743	$4.77

[a] Operating cost data for individual houses was not available from BRNCA and the Georgia Department of Corrections' Adjustment Centers, both of which operate several houses. Cost estimates contained in this analysis, therefore, represent an average for the houses operated.

[b] The state and local government purchases index, GNP Implicit price deflator, Bureau of Economic Analysis, was the index used to convert to calendar 1974 dollars.

[c] "Estimated-actual" refers to the combination of actual expenditures for the first ten months of the fiscal year and estimated expenditures for the last two months.

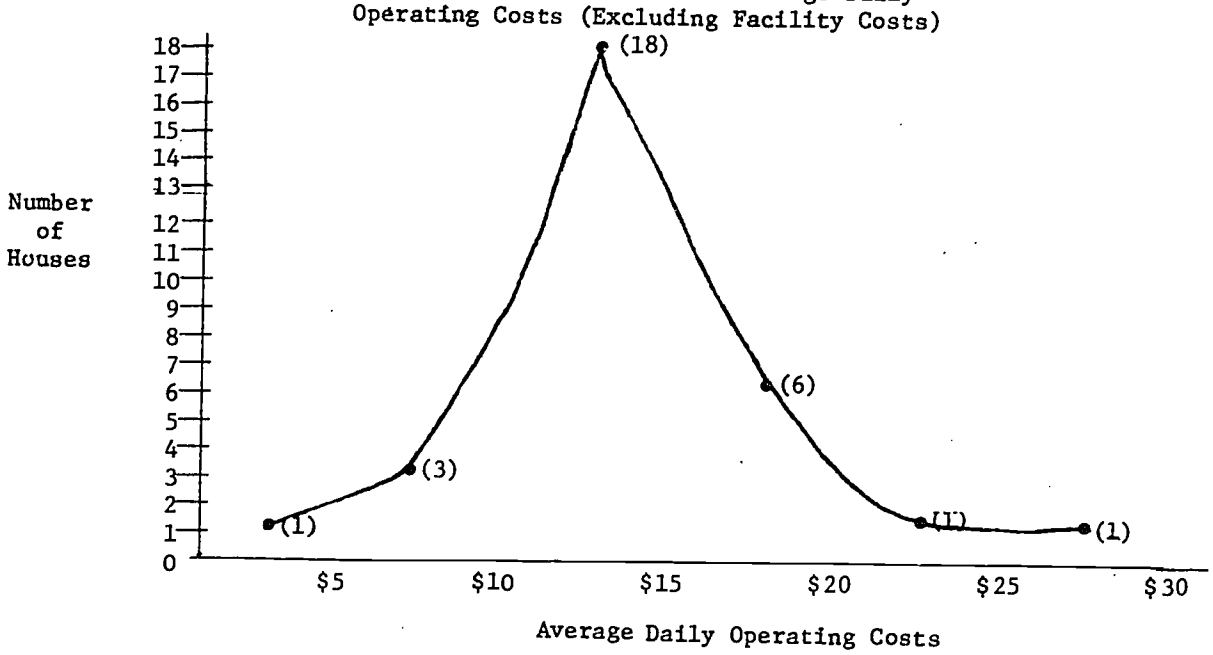
Figure 3A

Range of Average Daily Operating Costs (Excluding Facility Costs)

Range of Average Daily Operating Costs	Number of Houses
0 - $5	1
$5 - $10	3
$10 - $15	18
$15 - $20	6
$20 - $25	1
$25 - $30	1

Figure 3B

Graphical Distribution of Average Daily Operating Costs (Excluding Facility Costs)



Average Cost Variation

Although facility costs and other operating costs have been treated and analyzed separately for reasons discussed previously, for the sake of comparison, the sums of average facility costs and average operating costs excluding facility costs for each of the houses in the sample are presented in Table 4, pages 35-38.

The four major sources of variation in facility costs and other operating costs are discussed and analyzed in the following section.

MAJOR SOURCES OF COST VARIATION AMONG EXISTING HOUSES

Based on an examination of more specific cost information for houses in the sample (such as salaries by position), other statistics (such as salary ranges for state employees holding similar positions in different states), and consideration of other conditions likely to affect criminal justice expenditures for a particular area or project (such as the availability of LEAA funding), four major sources of cost variation among existing houses can be identified:

(1) Differences in services provided

(2) Interregional cost differentials

(3) Availability of resources

(4) Economies of scale.

Each of these four sources of cost variation are discussed in this section. A set of criminal justice system cost estimates for halfway houses which allows for these four types of variation is presented in the following section.

Differences in Services Provided

The most important source of cost variation among halfway houses is the fact that they provide different services to their clients. This variation can be analyzed systematically by looking at "client-service-personnel" relationships which essentially denote the fact that these three factors operate together in producing cost variations among the houses.

Clients served include individuals under the jurisdiction of other criminal justice system departments (pretrial release and diversion, federal and state work release and parole, and federal, state, county, and local probation) as well as those

Table 4

Average (Per Bed) Daily Operating Costs in 1974 Dollars for a Sample of 30 Houses

Facility	Average Daily Facility Costs	Daily Average Operating Costs Excluding Facility Costs	Average Daily Operating Costs
TALBERT HOUSE, INC.			
McMillan House	$ 1.14	$ 12.39	$ 13.53
Wesley House	$ .77	$ 12.24	$ 13.01
Vendanta House	$ .77	$ 11.32	$ 12.09
Halfway House for Women	$ .83	$ 16.10	$ 16.93
Resi. Youth Tmnt. Proj.	$ 1.10	$ 13.63	$ 14.73
DISMAS HOUSE	$ .21	$ 12.18	$ 12.39
REALITY HOUSE	$ 1.76	$ 11.24	$ 13.00
MORMAN HOUSE	$ 1.32	$ 13.68	$ 15.00
MAGDALA FOUND.			
Missouri Ave. House	$ 1.29	$ 13.33	$ 14.62
N. 11th St. House	$ .87	$ 15.50	$ 16.37

(cont'd)

Table 4 (cont'd)

Facility	Average Daily Facility Costs	Daily Average Operating Costs Excluding Facility Costs	Average Daily Operating Costs
Rauschenbach House	$ .72	$ 12.79	$ 13.51
West Pine House	$1.05	$ 12.66	$ 13.71
HOME OF IND. FOR DISCH. PRIS.	$ .56	$ 6.99	$ 7.55
Comm. Outreach Services	$ .70	$ 10.44	$ 11.14
JACKSONVILLE AD. DEV. CTS. PROJ.			
Bold City	$ .37	$ 8.74	$ 9.11
Walnut House	$ .66	$ 13.33	$ 13.99
Probationers Residence	$ .27	$ 7.66	$ 7.93
Women Prob. Resi.	$2.01	$ 14.54	$ 16.55
WASHINGTON HWY. FOR WOMEN	$2.05	$ 27.58	$ 29.63
BUR. REHAB. FOR NAT. CAP. AREA			
Shaw #1 Residence	$1.10	$ 19.62 [a]	$ 20.72

a Represents an average for all five houses.

Table 4 (cont'd)

Facility	Average Daily Facility Costs	Daily Average Operating Costs Excluding Facility Costs	Average Daily Operating Costs
Shaw #2 Residence	$ 1.16	$ 19.62 [a]	$ 20.78
Community Care Center	$ 1.02	$ 19.62 [a]	$ 20.64
Shaw #3 Residence	$ .89	$ 19.62 [a]	$ 20.51
Residential Tmnt Center	$ 1.12	$ 19.62 [a]	$ 20.74
DEPT. CORR. DIST. OF COL.			
[illegible] #1	$ .95	$ 14.55	$ 15.50
Center #4	$ .86	$ 18.02	$ 18.88
Center #5	$ 2.05	$ 15.60	$ 17.65
DEPT. CORR. GEORGIA (Average for three adjustment centers)	$ 2.17	$ 14.60	$ 16.77
DEPT. CORR. MINNESOTA			
Project Reentry	$ .54	$ 14.27	$ 14.81
Restitution Center	$ 3.81	$ 16.82	$ 20.63

a Represents an average for all five houses.

Table 4 (cont'd)

Facility	Average Daily Facility Costs	Daily Average Operating Costs Excluding Facility Costs	Average Daily Operating Costs
COMM-HOME HOUSE	$ .77	$ 20.39	$ 21.16
PIONEER FELLOWSHIP HOUSE	$ .51	$ 10.63	$ 11.14
FAMILY HOUSE	$ 1.90	$ 10.96	$ 12.86
OPPORTUNITY CENTER	$ .38	$ 4.77	$ 5.15

sentenced directly to halfway houses. Services offered to clients typically vary by house depending upon the types of clients housed.

The Corrections Report specifies in the Standards regarding development of community-based alternatives that, in addition to developing timetables and plans for implementing alternatives to incarceration, the state and local corrections planning authorities should specify which services are to be provided by the correctional authority and which services should be obtained from the community. While not specifying directly the services to be provided by halfway houses, the Report does state that clients of community-based corrections should at least have access to the same services offered by institutions, but that whenever possible, such services should be provided by community resources rather than by residential community-based correctional programs.[1] The Report states that these (minimum) services should include:

(1) a comprehensive continuous educational program, and

(2) pre-vocational and vocational training programs to enhance the offender's marketable skills, which should be part of a reintegrative continuum including determination of needs, establishment of program objectives, vocational training, and assimilation into the job market.[2]

Guidelines and Standards for Halfway Houses and Community Treatment Centers identifies services to be provided by halfway houses (and community treatment centers) in greater detail:

> An agency operating a community treatment center program will provide the following services:
>
> a. Shelter
> b. Food service
> c. Temporary financial assistance
> d. Individual counseling
> e. Group counseling
> f. Vocational counseling
> g. Vocational training referral
> h. Employment counseling and referral.
>
> The agency, if it does not itself provide, will see that its clients have ready access to:
>
> a. Medical services, including psychiatric and dental care
> b. Psychological evaluation

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[1] Corrections, pp. 237-238.

[2] Ibid., pp. 368-369.

c. Psychological counseling or therapy
d. Vocational training
e. Vocational and/or employment evaluation
f. Employment placement
g. Academic upgrading, e.g., G.E.D., college courses, etc.
h. Any other services as needed by the type of program operated and the particular needs of individual clients.

> In general, the agency will provide clearly identified resources that are relevant and essential to the successful conduct of its programs, and will utilize the resources of other agencies in order to provide services needed by its clientele but which cannot or should not be provided by the agency operating a community treatment center.[1]

The extent to which a house provides some or all of (or contract for) the above services will be reflected in total and average operating costs.

All of the houses in the sample provide "basic" services of shelter, group counseling and placement. Most of the houses provide food service; others however may either contract out for meals, issue meal vouchers, or simply have clients provide for themselves.

Typically the houses in the sample serving exclusively or primarily work releasees provide the minimal services described above; some, however, provide or make accessible a wider range of services including education and vocational counseling and training. The houses serving primarily prereleasees, probationers, parolees and clients sentenced directly to the house generally provide or make arrangements for the delivery of individual psychological counseling, financial management, vocational counseling and training, and education in addition to the basic services described above. Variation in provision of services in-house impacts operating costs primarily through personnel costs, the major single component of operating costs.

Table 5, pages 41-44, presents personnel costs: first in current dollars and as a percentage of operating costs; and secondly in calendar 1974 dollars as total personnel costs, average (per bed) personnel costs, and average daily personnel costs. The index employed in converting to 1974 dollars is the

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[1] McCartt and Mangogna, Guidelines and Standards, p. 83.

Table 5

Personnel Costs in Current and 1974 Dollars for a Sample of 30 Houses

Facility	Capacity	Total Personnel Costs[a]			Personnel Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount in Current Dollars	Percentage of Operating Costs	Total	Per Bed Annual	Per Bed Daily
TALBERT HOUSE, INC. McMillan House	16	Calendar 1974 Actual	$42,322	58%	$42,322	$2,645	$7.27
Wesley House	17	Calendar 1974 Actual	$48,148	63%	$48,148	$2,832	$7.76
Vendanta House	30	Calendar 1974 Actual	$57,155	46%	$57,155	$1,905	$5.22
Halfway House for Women	15	Calendar 1974 Actual	$51,953	59%	$51,953	$3,464	$9.49
Resi. Youth Tmnt. Proj.	18	Calendar 1974 Actual	$54,524	61%	$54,524	$3,030	$8.30
DISMAS HOUSE	24	Calendar 1974 Actual	$77,136	73%	$77,136	$3,214	$8.81
REALITY HOUSE	14	Calendar 1975 Budgeted	$47,313	76%	$43,567	$3,110	$8.52
MORMAN HOUSE	10	Fiscal 1975 Budgeted	$37,209	71%	$35,538	$3,554	$9.74
MAGDALA FOUND. Missouri Ave. House	22	Calendar 1974 Actual	$71,092	66%	$71,092	$3,231	$8.85

(cont'd)

Table 5 (cont'd)

Facility	Capacity	Total Personnel Costs[a]			Personnel Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount in Current Dollars	Percentage of Operating Costs	Total	Per Bed Annual	Per Bed Daily
N. 11th St. House	18	Calendar 1974 Actual	$68,792	69%	$68,792	$3,822	$10.47
Rauschenbach House	25	Calendar 1975 Budgeted	$80.859	64%	$74,423	$2.979	$8.16
West Pine House	25	Calendar 1975 Budgeted	$79,529	63%	$72,198	$2,928	$8.02
HOME OF IND. FOR DISCH. PRIS.	15	Calendar 1974 Actual	$19,006	50%	$19,006	$1,267	$3.47
Comm. Outreach Services	14	Fiscal 1975 Budgeted	$38,856	70%	$37,111	$2,651	$7.26
JACKSONVILLE AD.DEV.CTS. PROJ. Bold City	22	Calendar 1975 Budgeted	$57,691	76%	$53,099	$2,414	$6.61
Walnut House	15	Calendar 1975 Budgeted	$62,911	79%	$57.903	$3,860	$10.58
Probationers Residence	30	Calendar 1975 Budgeted	$72,517	79%	$66,745	$2,225	$6.10
Women Prob. Resi.	12	Calendar 1975 Budgeted	$50,588	73%	$46,561	$3,880	$10.63

(cont'd)

Table 5 (cont'd)

Facility	Capacity	Total Personnel Costs[a]			Personnel Costs in Calendar 1974 Dollars[b]		
		Type of Expenditure	Amount in Current Dollars	Percentage of Operating Costs	Total	Per Bed Annual	Per Bed Daily
WASHINGTON HWY. FOR WOMEN	16	Fiscal 1975 Budgeted	$130,274	77%	$125,425	$7,777	$21.31
BUR. REHAB. FOR NAT. CAP. AREA (Avg. 5 houses)	25	Fiscal 1975 Budgeted	$142,837	81%	$136,424	$5,457	$14.95
DEPT. CORR. DIST OF COL. Center #1	40	Fiscal 1975 Estimated-Actual[c]	$194,448	87%	$185,717	$4,643	$12.72
Center #4	23	Fiscal 1975 Estimated-Actual[c]	$142,646	90%	$136,241	$5,924	$16.23
Center #5	40	Fiscal 1975 Estimated-Actual[c]	$196,377	82%	$187,560	$4,689	$12.85
DEPT. CORR. GEORGIA (Avg. for three adjustment centers)	30	Fiscal 1976 Budgeted	$125,464	70%	$111,324	$3,711	$10.17
DEPT. CORR. MINNESOTA Project Reentry	28	Fiscal 1975 Budgeted	$107,445	70%	$102,621	$3,665	$10.04

(cont'd)

Table 5 (cont'd)

Facility	Capacity	Total Personnel Costs[a]			Personnel Costs in Calendar 19[illegible] Dollars[b]		
		Type of Expenditure	Amount in Current Dollars	Percentage of Operating Costs	Total	Per Bed Annual	Per Bed Daily
Restitution Center	23	Fiscal 1975 Budgeted	$ 120,391	81%	$ 114,985	$ 4,995	$ 13.69
COMM-HOME HOUSE	14	Fiscal 1975 Budgeted	$ 88,762	81%	$ 84,777	$ 6,055	$16.59
PIONEER FELLOW-SHIP HOUSE	33	Calendar 1974 Actual	$ 88,062	69%	$ 88,062	$ 2,669	$ 7.31
FAMILY HOUSE	22	Calendar 1974 Actual	$ 27,600	31%	$ 27,600	$ 1,255	$ 3.44
OPPORTUNITY CENTER	23	Fiscal 1975 Budgeted	$ 19,967	48%	$ 19,070	$ 829	$ 2.27

[a] Personnel costs include: all wages and salaries, including additional pay for overtime, annual leave, sick leave and other leave; and fringe benefits which include employer contributions to retirement plans, health, accident and life insurance and unemployment and workman's compensation. For houses which do not include fringe benefits in their budgets, a fringe benefit rate of 15 percent was applied to wages and salaries and included to determine total personnel costs. Recent data obtained from the Civil Service Commission and Office of Management and Budget indicates that average fringe benefits are slightly above 15 percent in the private, non-farm economy (15.9 percent) and much higher for the federal government (Compensation Structure of the Federal Government and Private Industry, 1970-1972, U.S. Office of Management and Budget and U.S. Civil Service Commission). These percentages however, are a[illegible]ges including all levels of seniority and salary while many employees of halfway houses are relatively young and recent entrant[illegible] the job market. Thus it is assumed that a fringe benefit rate of 15 percent is not a gross underestimate.

[b] The index [illegible] state and local government purchases, GNP Implicit price deflators, U.S. Bureau of Economic Analysis, was the index used to convert to calendar 1974 dollars.

[c] "Estimated-actual" refers to the combination of actual expenditures for the first ten months of the fiscal year and estimated expenditures for the last two months.

index of state and local government purchases compiled by the Bureau of Economic Analysis. As Table 5 illustrates, personnel costs vary widely both in absolute and average terms and as a percentage of operating costs.

Personnel costs range from 31 percent to 90 percent of operating costs. With the exception of only three houses, however, personnel costs account for at least 50 percent of operating costs; the median figure is 70 percent. In calendar 1974 dollars, daily per client personnel costs range from $2.27 per day to $21.31 per day with 15 or 50 percent of the houses having average daily personnel costs in the $5.00 per day to $10.00 per day range. Median average daily personnel cost (for the sample 30 houses) is $8.67 per day; the mean is $9.56 per day.[1]

Figures 4A and 4B, page 46, illustrate both the range and distribution of average personnel costs for the sample. Like operating costs excluding facility costs, the distribution approximates the standard normal curve but is skewed to the right.

Variation in total and average personnel costs is attributable to both number and types of staff employed, and to average salaries by position. Twenty-seven of the houses in the sample have full time directors, two have only part-time directors, and one house has no paid director. Most of the houses, including all of the state-operated houses and houses operated under private agencies or foundations, have assistant directors; several of the single private houses do not. Full-time counselors/job developers/community resource developers/corrections officers employed range from 0 to 11. In addition, several of the houses employ part-time counselors.[2] Both state departments of corrections-operated and

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[1] An attempt was made to separate personnel costs of the houses in the sample into custodial costs and costs associated with services to clients. It was not possible to do so, because in many of the houses, particularly the private houses, several personnel were responsible for more than one function, and with existing (or lack of any) data, any estimate of a time breakdown between various functions performed would have been highly arbitrary or conjectural.

In larger scale correctional activities, such as institutions, individual staff typically perform only one function and such a (non-arbitrary) separation of personnel costs (into custodial costs and costs of services to clients) can be made.

[2] Some houses may employ part-time personnel at lower wage rates than would be paid full-time staff in order to lower costs. Other houses utilize volunteers or clients in performing some services such as cooking, housekeeping and facility (and property) maintenance. Such labor substitution practices obviously lower total personnel costs.

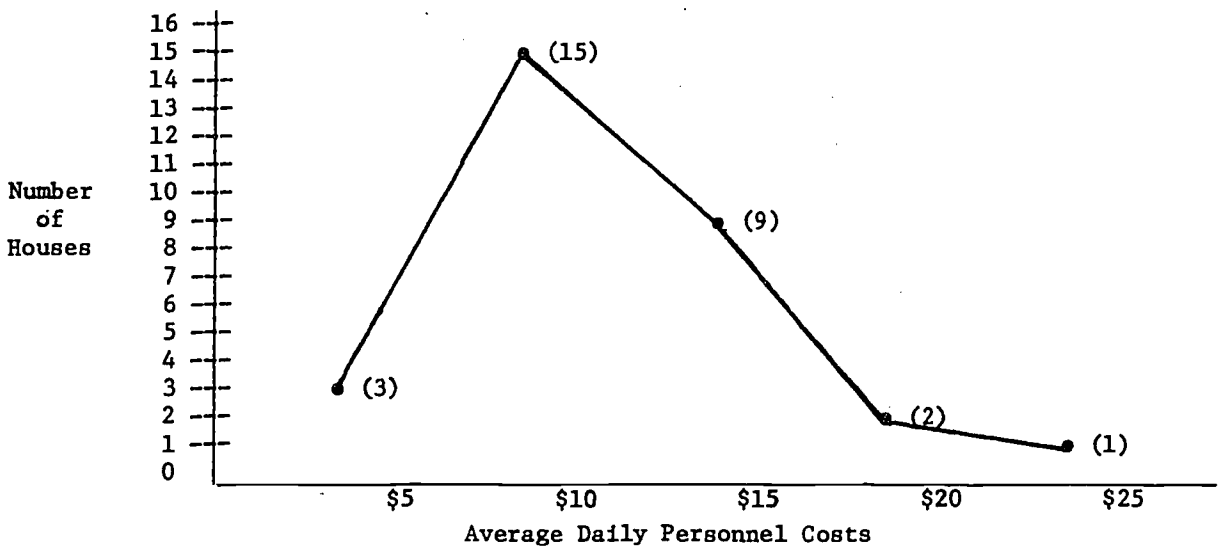
Figure 4A

Range of Average Daily Personnel Costs for the Sample

Range of Average Personnel Costs	Number of Houses
$0 - $5	3
$5 - $10	15
$10 - $15	9
$15 - $20	2
$20 - $25	1

Figure 4B

Graphical Distribution of Average Daily Personnel Costs for the Sample



private agency/foundation-operated houses, have, on the average, a greater number of personnel than single private houses. For those houses operated by a private foundation or agency (Talbert, JADCP, Magdala, BRNCP), a portion of the salaries and fringe benefits of administrative personnel in the foundation or agency was allocated among the houses on a percentage basis and included in personnel costs.[1]

Average salaries by position vary significantly as well. For the sample, directors' salaries ranged from $10,000 to $19,610; assistant directors, from $9,000 to $16,490; full-time counselors/caseworkers/job developers/community resource developers/correctional officers, from $5,573 to $15,409; part-time counselors, $2.10 (minimum wage) to $4.50 per hour; and secretary/clerk/administative assistants, from $4,388 to $7,083. The two principal determinants of these salary/wage variations, regional price differences and availability of resources (primarily federal and state funding), are analyzed in the next two sections.

Interregional Cost Differentials

This section deals with price variation in both labor (wage and salaries) and other factors, including facility prices, utility prices and prices of other goods and services. The term "interregional" refers not only to the differences in major regions of the country (Northeast, Pacific, and so forth), its narrowest

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[1]The procedure employed was to allocate the central administrative costs among the houses and other projects operated by the agency/foundation based on the percentage share of each house's operating costs. On the basis of project analysis and telephone interviews with staff members of the houses involved, it was determined that approximately 1/3 of the time of central administrative personnel is involved in direct operation of the house. Therefore, 33 1/3 percent of the allocated amounts of private, indirect administrative costs were included in the personnel, and hence operating, costs of the houses.

The author is aware that administrative personnel of state departments of corrections might as well be directly involved in the operation of state-operated houses, and that a similar portion of indirect costs should be allocated to these houses. The Project however, does not have access to such data or a methodology for deriving meaningful estimates of the amount to be allocated to each house. To the extent that such public indirect costs are significant, the cost estimates for the state departments of corrections-operated houses are biased downward.

sense, but also to differences among states, cities (small vs. large) and sections of cities (inner city vs. suburbs).

Consider first variation in facility prices. Typically, on regional and state levels, facility prices are higher in states along both coasts than in states in the interior. Adjusted median values of owner-occupied houses, by region and state, which are presented in Table 6, pages 49 and 50, demonstrate the price differential. Values for the Northeast, Middle Atlantic and Pacific regions, respectively, $29,010, $26,490 and $30,700, exceed values for the remaining regions. On an individual state level (including the District of Columbia), the differential is more pronounced; of the states with the ten highest values, eight are in the three regions listed above and one of the two remaining is the District of Columbia.

Purchase prices and rental equivalents for the houses in the sample, contained in Table 2, pages 17-22, also substantiate the price differential. Both purchase prices and rental equivalents are higher (on the average) for houses located in coastal regions.

A second significant price differential for facility costs occurs between large cities vs. small cities. For like areas (similar house size, neighborhood amenities, and so forth), facility prices are generally higher in large cities. Larger cities also have the highest average facility prices (for all facilities within their boundaries). But the most significant facility differential occurs within individual cities, between inner cities (or other transitory neighborhoods) vs. suburbs (or other stable neighborhoods). The largest price differentials are found on this level, and it is here that locational (and therefore, facility expenditure) decisions must be made.[1] Market values for like facilities in different areas of a city often differ by more than 100 percent in larger cities. In smaller cities, the difference between neighborhoods as reflected in market values of similar facilities is smaller. In cities with populations under 50,000 there is typically little variation in facility prices.

Wage and salary variation occurs primarily on a regional and state level. Other than small differences for cook/housekeeping positions, little wage and salary variation occurs among different neighborhoods of the same city.

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[1] Richard Muth substantiates this in Cities and Housing (University of Chicago Press). Additional sources for this part of the analysis were letters and telephone discussions with the directors or assistant directors of several of the houses in the sample, and interviews with two real estate agents in Washington, D.C.

Table 6

Adjusted Median Values of Owner-Occupied Housing Units, by Region and State[a]

REGION, STATE	VALUE
NORTHEAST	$29,010
Maine	17,940
New Hampshire	22,990
Vermont	22,990
Massachusetts	28,870
Rhode Island	25,510
Connecticut	25,740
MIDDLE ATLANTIC	$26,490
New York	31,530
New Jersey	32,800
Pennsylvania	19,060
EAST NORTH CENTRAL	$24,530
Ohio	24,670
Indiana	19,340
Illinois	20,620
Michigan	24,530
Wisconsin	24,250
WEST NORTH CENTRAL	$20,320
Minnesota	25,230
Iowa	19,480
Missouri	20,180
North Dakota	18,220
South Dakota	15,480
Nebraska	17,380
Kansas	16,960
SOUTH ATLANTIC	$21,160
Delaware	23,970
Maryland	26,210
District of Columbia	29,850
Virginia	23,970
West Virginia	15,840
North Carolina	17,940
South Carolina	18,220
Georgia	20,460
Florida	21,020

(cont'd)

Table 6 (cont'd)

REGION, STATE	VALUE
EAST SOUTH CENTRAL	$17,100
Kentucky	17,660
Tennessee	17,520
Alabama	17,100
Mississippi	15,700
WEST SOUTH CENTRAL	$16,820
Arkansas	14,720
Louisiana	20,460
Oklahoma	15,560
Texas	16,820
MIDWEST	$22,850
Montana	19,620
Idaho	19,760
Wyoming	21,440
Colorado	24,250
New Mexico	18,220
Arizona	22,850
Utah	23,550
Nevada	31,400
PACIFIC	$30,700
Washington	25,930
Oregon	21,580
California	32,380
Alaska	31,820
Hawaii	49,200

[a]Median values for owner-occupied housing were obtained from the U.S. Bureau of Census in the 1970 U.S. Census of Housing, 1970, Volume 1, and adjusted upward for inflation since 1970 utilizing the index of home ownership costs, U.S. Bureau of Labor Statistics.

Table 7, pages 52 and 53, presents different salary ranges for particular positions for states in which houses in the sample are located. The salary ranges were obtained from a report published by the U.S. Civil Service Commission entitled State Salary Survey, August 1, 1973. Positions included in Table 7 represent positions closest in function to house staff positions; for example, director of the probation department and the senior probation officer closely approximate the positions of house director and assistant director.

Although the probation and parole positions' salary ranges are higher than the house director's ($10,000-$19,610) and assistant director's ($9,000-$16,490) ranges in the sample, they do serve to illustrate that variation in salary ranges is extensive among the different states.

Salaries at the lower limit of the salary ranges for the director and senior officer position range from [illegible]6 to $26,898 and $8,232 to $16,682, respectively, a range of [illegible]00 percent over the lower limit for both. The differentials between lower limits are smaller for the lower salaried counselor and social worker positions, but still over 40 percent for each. The variation in staff salaries (for similar positions) included in the sample is not surprising when compared to the salary range variation contained in Table 7.

Prices of other factors vary by region and state as well, although the variation is generally less. Food cost data contained in "Urban Family Budgets and Geographical Comparable Indexes" determined by the Bureau of Labor Statistics indicates that food prices are 9 percent higher in metropolitan areas as compared with non-metropolitan areas. Among metropolitan areas contained in the indexes, the price differential was under 10 percent.[1] The regional price differential, on the other hand, is larger for utilities. The price of natural gas, for example, in Kansas City was less than half the price in Washington, D.C.[2] Data by geographical region and/or states and cities was not available for other factors.

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[1] The index referred to is the Urban Intermediate Budget for 4 persons and a retired couple--total cost, 1967 to 1972, for selected metropolitan areas (U.S. Bureau of Labor Statistics, 1972). Costs were adjusted for inflation using the Bureau's Consumer Price Index for food.

[2] Average price of residential heating gas, for selected metropolitan areas: 1965 to 1974, "Retail Prices and Indexes of Fuels and Utilities," Bureau of Labor Statistics.

Table 7

Comparative Salary Ranges, by
Occupation and State (August 1, 1973)

OCCUPATION	STATE	SALARY RANGE
Director of Probation and Parole Services	District of Columbia	$26,898-34,971
	California	22,260-27,060
	Florida	20,460-28,464
	Ohio	18,866-25,459
	Pennsylvania	16,128-20,436
	Missouri	12,000-16,752
	Texas	11,616-18,420
Senior Probation and Parole Officer	District of Columbia	$16,682-21,686
	California	13,992-17,004
	Pennsylvania	13,907-17,624
	Minnesota	12,096-15,300
	Ohio	10,650-13,666
	Texas	10,176-12,816
	Washington	10,092-12,732
	Florida	9,816-13,572
	Georgia	9,312-12,204
	Missouri	8,232-11,448
Vocational Rehabilitation Counselor	California	$11,508-13,992
	Texas	10,872-13,692
	Missouri	10,272-13,776
	Pennsylvania	10,054-12,694
	District of Columbia	9,520-12,373
	Georgia	9,312-12,204
	Minnesota	8,832-11,172
	Ohio	8,382-10,733
	Washington	8,004- 9,624
	Florida	7,992-10,896
Employment Counselor	California	$10,440-12,696
	Pennsylvania	10,054-12,694
	Minnesota	8,832-11,172
	Texas	8,628-10,872
	Ohio	8,383-10,733
	Washington	8,004- 9,624
	Florida	7,992-10,896
	Georgia	7,800-10,563
	Missouri	7,500-10,416

(cont'd)

Table 7 (cont'd)

OCCUPATION	STATE	SALARY RANGE
Graduate Social Worker	Ohio	$10,254-13,166
	Pennsylvania	10,054-12,694
	District of Columbia	9,520-12,373
	Georgia	9,312-11,904
	Washington	9,192-11,604
	Florida	8,832-12,132
	Texas	8,628-10,872
	Missouri	8,232-11,448
	California	8,196- 9,960
	Minnesota	8,040-10,020
Physician	District of Columbia	$24,956-30,869
	Pennsylvania	22,357-24,626
	Florida	22,200-30,252
	California	20,184-22,260
	Missouri	19,300-22,300
	Washington	18,588-21,444
	Minnesota	17,892-23,532
	Georgia	17,676-23,436
	Ohio	15,142-20,322

Source: U.S. Civil Service Commission, Bureau of Intergovernmental Personnel Programs, State Salary Survey, August 1, 1973 (Washington, D.C.: Government Printing Office, 1973).

Combining price variation for all factors including labor, both the government data referred to in this section and contained in Tables 6 and 7, pages 49-50, 52-53, and the sample data contained in Tables 2, 3, and 4, pages 17-22, 29-32, 35-38, indicate that expenditures for a certain fixed amount of goods and services in the different states would follow the same pattern as described in the discussion of regional variation in facility prices: higher in larger cities and in the states located on or near both coasts and lower for the interior states.

Availability of Resources

The third major source of cos variation is the availability of resources. These resources are of three types:

- Public financial resources, which includes block funds such as LEAA, HEW, or State Planning Agency (SPA) grants, contracts with the Federal Bureau of Prisons and Division of Probation, state Departments of Corrections and Probation and Parole Commissions, and county/local probation and parole authorities (for the houses operated by state departments of corrections, of course, some of the resources are internal);

- Private financial resources, which includes funding from sources outside the criminal justice system such as private agencies and individuals, and client payments for room and board; and

- Non-financial resources, community resources which provide free or reduced cost services to clients of halfway houses (such resources include doctors, lawyers, dentists, repairmen and volunteers of all types).

Houses funded primarily by public financial resources are in effect subsidized by federal, state and/or local governments, and this subsidy has both price and quantity effects, especially in regarding personnel costs.

Houses which have strong public resources, which include the houses operated by the state departments of corrections, the houses operated by private agencies or foundations, and several of the single houses funded primarily by LEAA, will generally have more and higher salaried personnel than their counterpart houses. Houses serving exclusively work releases are most likely to have strong public financial resources, especially contracts with the federal Bureau of Prisons and the state departments of corrections. These houses will generally also have larger absolute expenditures than houses serving primarily clients under other sentencing dispositions.

Table 5, pages 41-44, illustrates both of those statements. Of the ten houses with the highest personnel costs in calendar 1974 dollars, seven are operated by state departments of corrections, one of the remaining three serves exclusively work releases under contract with the state department of corrections, and the two others have contracts with the state (D.C.) department of corrections and are partially funded by LEAA.

Houses with [illegible] public financial resources will also typically have larger capacities and higher facility costs; sample averages for both were exceeded by these houses.

Houses in the sample which are dependent on private financial resources are characterized by low absolute personnel costs. Personnel costs as a percentage of total operating costs are also much lower than for the sample as a whole. These houses have adapted by paying directors on a part-time contract basis or not at all, eliminating the assistant director, and paying counselors and other (fewer) personnel at lower salaries and wages than for the sample as a whole.

Non-personnel expenditures by these houses are also lower than the sample average, but only by 12 percent as compared to over 75 percent for personnel expenditures. These houses have also made greater use of non-financial resources in providing services to their clients, both by organizing community resources to provide low-cost or no-cost services such as medical, legal, volunteer counseling and recreational services, and by utilizing external resources (non-criminal justice system agencies and organizations) to provide counseling services.

Referring clients to external resources for certain services, instead of providing them in-house, reduces total house operating costs but may increase the operating costs of that external resource. In effect, there is a trade-off between house operating costs and external costs.[1] The extent to which such a trade-off takes place on an individual house level partially accounts for variation in house operating costs. This trade-off will be discussed in the next chapter dealing with non-criminal justice system expenditure costs. The next section deals with the last major source of variation: economies of scale and factor indivisibilities.

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[1] A trade-off is an economic term meaning that an inverse relationship exists among two resources or activities. A reduction of the costs of one imposes additional costs to the other.

Economies of Scale and Factor Indivisibilities

This section analyzes the question of whether houses serving fewer clients are more or less expensive than houses serving a larger number of clients. In other words, this section analyzes variation among operating costs which is attributable to the scale of operation, that is, to the number of clients served.

If, in the long run, it is less expensive to service a larger number of clients (25 to 30) rather than fewer (15), then, in the language of the economist, economies of scale are present. If it is more expensive, there are diseconomies of scale. The phrase "in the long run" implies a time period sufficiently long so that decisions can be made regarding all operating factors: type, and therefore, cost, of facility; services provided; size of staff; and expenditure levels for all non-personnel categories. All costs are variable in the long run, whereas in the short run some costs are fixed and indivisible. Type and size of facility, and therefore facility costs, and director and assistant director salaries and fringe benefits typically are fixed and indivisible in the short run.

For example, a house serving 15 clients will not pay any more in rent or salary and fringe benefits to the director and assistant director if the number of clients served increases to 20 (nor will it pay less if the number decreases to 10). Yet the average cost for rent and director and assistant director positions will decrease 33 1/3 percent. Variable costs such as food, supplies, utilities, counselors and other staff costs will increase, but total average operating costs will most likely have decreased.[1]

In the long run, the halfway house may have to move to a larger facility, or expand the current one, and the salaries and benefits of the director and assistant director may be increased to reflect the increase in the scale of operation (number of clients served), in which case there would be no economies of scale. Based on analysis of operating costs of houses in the sample, the presence of economies of scale cannot be identified in either facility costs or personnel costs.

For facility costs, the analysis is clouded by the fact that the types of facilities vary widely; some facilities have twice as much space (in terms of useable square footage of floor

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[1]It may be the case that full-time counselor positions are largely indivisible and another counselor has to be added to the staff, with the increase to costs of his salary and benefits, offsetting the lower average costs for fixed factors.

space) per client as others. For the sample, facility costs for houses serving 30 or more clients have higher average facility costs than those serving 15 or less. This does not indicate that there are diseconomies of scale present; analysis of the sample indicates the presence of neither economies or diseconomies of scale in facility costs. For personnel costs, likewise, the analysis indicates the presence of neither economies or diseconomies of scale.[1] Although none of the larger houses had more than one director or assistant director, they had larger and higher paid staffs than the smaller houses. The weighted average personnel cost for houses serving 20 or more clients is $9.24 per day as compared to $10.50 per day for the houses serving 15 or less.

For non-personnel costs, the situation is the same. While it might seem that there could be economies in the purchase of food and other supplies by agencies operating multiple houses, analysis of expenditures of houses in the sample did not establish the presence of any.

The fact that no economies of scale were identified in the sample analysis does not preclude their presence in either personnel costs, facility costs, or (other) non-personnel costs. What is needed, in order to determine whether economies of scale exist, is a cost study of houses offering identical services but serving varying numbers of clients.

The analysis does, however, indicate that factor indivisibilities may cause differences in average annual operating costs along certain ranges of number of clients served. Sample data indicates that, in addition to facility costs and personnel costs associated with the director and assistant director positions which are fixed in the short run, regardless of number of clients served, personnel costs associated with the remaining staff positions and certain components of non-personnel costs are variable only for large changes in number of clients served. Houses serving anywhere from 10 to 20 clients have approximately the same number of staff. Houses serving 20 to 30 clients have more staff than the 10 to 20 group, but among the former, the number of staff does not vary significantly. Stated differently, a house serving clients is not likely to have more staff than a house serving 12 clients; nor is a house serving 28 clients more likely to have more staff than a house serving 22. A house serving more than 20 clients, would, however, have a larger staff than a house serving less than 20. Along each of the two ranges in number of clients served, therefore, 12 to 18 and 22 to 28, the number of personnel employed is, for the most part, invariable.

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[1] The smaller houses without salaried directors or assistant directors were excluded from the analysis of economies of scale.

Non-personnel factors, with the exception of consumable supplies and food, both of which vary with the number of clients served, are likewise invariable along these two ranges of clients served. The implication is that among houses in the same range in terms of clients served, since staff size does not vary and non-personnel costs other than food and consumable supplies are approximately the same as well, the majority of variation is attributable to price variation and different services being provided.[1]

CRIMINAL JUSTICE COST ESTIMATES FOR HOUSES OFFERING ALTERNATIVE SETS OF IN-HOUSE SERVICES

The previous sections of this chapter have dealt with the amount of variation in different types of costs among the houses in the sample, and the sources of that cost variation. This section now extends the analysis by presenting cost estimates for a "typical" operational house offering alternative sets of in-house services. The estimates are averages based on the actual or budgeted expenditures (in 1974 dollars) of the houses in the sample, and are presented in the form of sample budgets. Personnel costs are in the form of salaries and wages by position and total fringe benefits; non-personnel costs are identified by type.

Two sets of estimates are given in each sample budget: the first represents an average of the highest 50 percent of sample houses for expenditures in each category and the second, an average of the lowest 50 percent.[2] This format was selected because it recognizes that price variation for approximately the same item at the same time, is present among halfway houses, and it provides two sets of estimates which decision makers can use as benchmarks in estimating the costs of operating a house in their own localities (based upon the particular client-service-personnel mix).

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[1] If factor prices are the same for a group of houses serving numbers of clients in the same range, say 12-18, then average (daily) operating costs would be the lowest at the upper limit of the range 18, significantly lower than for a house serving 12. But as the results of the analysis of the sample for economies of scale indicated, average operating costs are not significantly lower (nor higher) than a house serving 28 as compared to 18. The analysis does indicate however, that given no differences in labor prices between houses, a house serving 18 would have lower average operating costs (as well as lower total operating costs) than a house serving 22, and that a house serving 28 would have lower average costs (although higher total operating costs) than a house serving 12.

[2] For more general information on how the sample budgets used in the Standards and Goals Project have been constructed, see Appendix A-5.

There are four features of the estimates contained in the following sample budgets which should be noted:

(1) The estimates are for an on-going operational activity and as such exclude the high start-up costs that characterize the first year of a new project.[1]

(2) For each budget item, two estimates are given, an average high and an average low.

(3) The sample budgets include only those expenditures incurred by the criminal justice system in the operation of a halfway house. Excluded from the budget (but discussed in the next chapter) are external costs (for example, the cost of education or job training activities outside the criminal justice system to which the client may be referred) and opportunity costs (for example, the potential cost to society of any increased risk of crimes committed by house clients).

(4) Estimates presented in the sample budget are in calendar 1974 dollars, therefore anyone using these estimates as a basis for determining the costs of operating a house in his or her community will need to make allowances for post-1974 price increases (by using, for example, indexes constructed by the U.S. Bureau of Economic Analysis and the U.S. Bureau of Labor Statistics).

Specific Budget Items

Each of these four sample budgets[2] follows a basic format: salaries and wages by position; total fringe benefits; total personnel costs; non-personnel costs by type; total non-personnel costs; total operating costs; and average operating costs per bed. Both the contents of, and the methodology employed in determining, the individual budget line items are discussed in this section.

Salaries and wages, in conformance with definitions used by the U.S. Office of Management and Budget, include pay for

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[1]High start-up costs can be a significant problem for persons trying to initiate a halfway house program, particularly if such costs are estimated to include the total cost of a facility and equipment purchase or extensive renovation. From an economic perspective, such capital (facility and equipment) costs should be allocated over the "productive life" of a halfway house, not just at the beginning of its operations, but this approach is not always recognized or accepted by all groups in a community.

[2]It is assumed in three of the sample budgets that all services are performed by paid staff and not by volunteers or clients. Substitution of volunteer or client labor for paid staff would therefore lower the estimates contained in these three sample budgets. In the fourth (Table 10), volunteers are assumed to be providing services, so a comparison between it and Table 9 illustrates cost savings from such substitution.

vacation, holidays, and sick leave, as well as for services performed. The first step in arriving at the sets of salary estimates was to determine which positions were to be included. Houses in the sample varied in the number and types of employees, particularly in the counselor positions. The number and types of positions selected represent the most common employment patterns. Positions included and the responsibilities of each follow.

The house director is responsible for overall administration of the house, including hiring and supervision of all personnel and planning of the house program. He is also responsible for decision-making regarding which clients enter and remain in the house program. The assistant director assists the director in performing these functions. The daytime counselor performs both client monitoring and basic counseling functions. Basic counseling includes employment referral and assistance, and conducting of group counseling sessions. Night and weekend (part-time) counselors are responsible for client-monitoring functions only. The secretary/bookkeeper and cook/housekeeper positions are self explanatory.

Salary data from the individual houses were checked to ensure that they included allowances for leave, as specified above, and were adjusted to 1974 dollars using the index of state and local government purchases.[1] Salary level for each position for the 30 houses in the sample were then arranged from high to low and divided down the middle. The mean for each group was calculated and is shown as the "average high" or "average low" estimate, respectively.

Fringe benefits include employer contributions to retirement plans, health, accident and life insurance policies, and unemployment and workman's compensation programs, and represent 15 percent of total wages and salaries. Data from the Civil Service Commission and the Office of Management and Budget estimate average fringe benefits at 15.9 percent in the private non-farm economy, and 16.0 percent for the federal government. Several of the private houses in the sample, however, reported fringe benefits of under 15 percent, and as most of the houses in the sample (as are most houses in general) are privately operated, 15 percent was the figure selected for these cost estimates.

Non-personnel costs. The same procedure as was employed in estimating high and low average salaries by position was used in determining estimates for each of the non-personnel cost categories.

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[1]This index is a part of the Bureau of Economic Analysis's Gross National Product implicit price deflator. Most goods and services purchased by state and local governments are personnel services, so this is the best available index for this purpose.

Professional fees and contract services includes retainer fees or contracted expenditures for legal, accounting, and medical services.

Travel and transportation includes both local staff and client travel allowances and also allowances for staff long distance travel for training and seminars.

Rent and rental equivalents consist of high and low average facility costs based on the estimates contained in Table 2, pages 17-22.

Maintenance includes the labor and supply costs of maintaining the facility in adequate operating condition. Major repairs and renovations are not included.

Utilities include electricity, natural gas, and other fuel costs.

Communications includes telephone and postage costs.

Supplies includes staff office supplies and operating supplies consumed by clients.

Food costs include groceries and commodities used in preparing food.

Other costs include licensing, special taxes, and insurance costs.

The sample budgets are for a house with a capacity of 18 clients. This capacity was selected because it represents the smaller of the two most efficient capacity levels, as discussed in the previous section dealing with Economies of Scale and Labor Indivisibilities, pages 56-58.

Average costs are based on an operating level at capacity (18). Each of the following sections discusses, in addition, the cost implications of operating at a client level of less than, or greater than, 18.

Cost Estimates for a House Providing Only In-House Services

The first sample budget presented is for a house providing only basic in-house services. Basic services are defined to include provision of housing and food services, group counseling, and employment assistance. These basic services are typical of those houses which focus completely on employment, such as those exclusively for work releasees.[1] Estimates of the basic costs of operating a house

[1]It is recognized that some houses serving primarily or

of this type are presented in Table 8, page 63. The personnel of the house consist of a director, an assistant director/supervisor whose duties include both administrative and supervisory functions and possibly some counseling as well; a full-time counselor providing both vocational and group counseling services; a night counselor and a part-time counselor providing strictly supervisory services; and a secretary/clerk and cook/housekeeper. All personnel with the exception of the weekend counselor are full-time and salaried. Wages and salaries account for the major portion of total operating costs for both ranges, but especially for the low average estimates. The director and assistant director positions alone account for 21.8 percent of the total costs for the average high estimates and 26.6 percent for the low.

The two primary components of non-personnel costs are the rent or rental equivalent and food cost categories, together accounting for over half of total non-personnel costs. The high average daily cost estimate per client is $20.13; the low average estimate, $12.60--a difference of $7.53 per client per day. Salaries are 20 to 30 percent lower for the low average estimates than for the high, but the most significant relative differences occur in rent/rental equivalent costs, supply costs and food costs.

As discussed in a previous section dealing with cost variation attributable to economies of scale and factor indivisibilities, pages 56-58, there are two ranges of operation (in terms of number of clients served) over which factor indivisibilities result in decreasing average operating costs, 12 to 18 and 22 to 28. A capacity of 18 was selected for the sample budget, because at that level economies of scale along the lower range were being realized, and more houses operate at or near a client level of 18 than at 28.

Along the lower range, it is assumed that all costs are fixed except for supplies and food costs which vary with the number of clients served. Therefore, at operating levels of less than 18, clients average costs increase with the highest average costs occurring for a client load of 12. For client loads of 20 or over, more personnel will have to be added, hence total costs increase along with food and supply costs. In addition, travel and transportation costs and communications costs would increase, as they are both partially (3/4) fixed and partially (1/4) variable with total salary costs. For houses serving over 20 clients therefore, total operating costs will be significantly higher. Due to the factor indivisibilities present along the 22 to 28 client load discussed earlier, average daily operating costs will likely be higher for houses serving 22 to 25 clients than for a house serving 18, but at a client load of 28, average daily operation costs should not be significantly different.

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exclusively work releasees provide additional services as well. Cost estimates for houses providing additional services are contained in subsequent sample budgets.

Table 8

Sample Budget for a House Providing
Basic In-House Services[a] (1974 Dollars)

ITEM	AVERAGE HIGH	PERCENT OF TOTAL OPERATING COSTS[b]	AVERAGE LOW	PERCENT OF TOTAL OPERATING COSTS[b]
PERSONNEL				
Salaries and Wages				
Director	$15,970	12.1%	$12,085	14.6%
Assistant Director/Supervisor	12,737	9.6%	9,767	11.8%
Counselor	11,756	8.9%	8,842	10.7%
Night Counselor	9,441	7.1%	7,100	8.6%
Part-Time Counselor (20 hrs./week)	4,576	3.5%	2,560	3.1%
Secretary/Bookkeeper	7,646	5.8%	6,082	7.3%
Housekeeper/Cook	[illegible],990	5.3%	5,500	6.7%
Total Wages and Salaries	(69,116)	(52.3%)	(51,936)	(62.7%)
Fringe Benefits (15%)	10,367	7.8%	7,790	9.5%
TOTAL PERSONNEL COSTS	($79,483)	(60.1%)	($59,726)	(72.2%)
NON PERSONNEL				
Professional Fees and Contract Services	$ 4,042	3.1%	$ 1,016	1.2%
Travel and Transportation	3,589	2.7%	1,670	2.0%
Rent/Rental Equivalent	12,292	9.3%	4,704	5.7%
Maintenance	2,461	1.9%	1,304	1.6%
Utilities	4,288	3.3%	1,834	2.2%
Communications	2,422	1.8%	1,372	1.7%
Supplies[c]	3,614	2.7%	8[illegible]	1.0%
Food[d]	18,002	13.6%	9,[illegible]92	11.6%
Other	2,057	1.6%	6[illegible]8	0.9%
TOTAL NON-PERSONNEL COSTS	($52,767)	(39.9%)	($23,044)	(27.8%)
TOTAL OPERATING COSTS	$132,250	(100%)	$82,7[illegible]	(100%)
AVERAGE COST				
Capacity (18)				
Average Daily Cost Per Client	$ 20.13		$ 12.60	

[a] This budget includes only those costs of a halfway house which are borne by the criminal justice system. Exlcuded are the costs of services typically provided outside the criminal justice system -- such as manpower training, aptitude testing, GED tutoring, and vocational testing. These services to which halfway house clients are referred are treated as external costs, discussed in the next chapter.

[b] Percentages may not add to 100 because of rounding.

[c] Supply cost estimates are based on average per client costs of .55/client/day and .13/client/day.

[d] Food cost estimates are based on average per client costs of $2.74/client/day and $1.46/client/day.

The Corrections Report, however, recommends that community-based corrections activities, including halfway houses, refer clients to services provided by community resources in addition to providing basic services in-house. The next sample budget therefore includes cost estimates for a house providing both basic services and community resources referral.

Cost Estimates for a House Providing Basic In-House Services Plus Community Resource Referral

The Corrections Report emphasizes continually that services provided by community resources should be made available to clients of community-based correctional activities, and that referral for rehabilitative services to community resources should be favored over provision of such services in-house.[1] Consequently cost estimates for a house providing community resource development and referral services have been derived and are presented in Table 9, page 65.

Providing community resource referral services requires the addition of a full-time community resource manager (the title is derived from the Report);[2] all other positions and salaries remain the same as in the previous sample budget for a house providing basic services only. Consequently the addition of community resource referral adds the cost of the manager's salary and fringe benefits to total personnel costs.

As the number of clients served by the house (18) has not changed, only those non-personnel costs partially variable with respect to salary costs will increase. Travel and transportation,

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[1] Standard 2.9 on Rehabilitation, for example, states:

> Each correctional agency providing parole, probation and other community supervision, should supplement its rehabilitative services by referring offenders to social services and activities available to citizens generally. The correctional authority should, in planning its total range of rehabilitative programs, establish a presumption in favor of community-based programs to the maximum extent possible. (p. 43)

[2] The Report discusses community resource referral in greatest detail in the discussion on services to probationers. The Report emphasized that the probation officer must move in the direction of referring probationers to community resources so that, "As community resource manager, he will utilize a range of resources rather than be the sole provider of services." (p. 323)

Table 9

Sample Budget for a House Providing Basic
In-House Services Plus Community Resource Referral (1974 Dollars)

ITEM	AVERAGE HIGH	PERCENT OF TOTAL OPERATING COSTS	AVERAGE LOW	PERCENT OF TOTAL OPERATING COSTS
PERSONNEL				
Wages and Salaries				
Director	$15,970	10.9%	$12,085	13.0%
Assistant Director/Supervisor	12,737	8.7%	9,767	10.5%
Community Resource Manager	11,756	8.1%	8,842	9.5%
Counselor	11,756	8.1%	8,842	9.5%
Night Counselor	9,441	6.5%	7,100	7.6%
1 Part-Time Counselor	4,576	3.1%	2,560	2.7%
Secretary/Bookkeeper	7,646	5.2%	6,082	6.6%
Cook/Housekeeper	6,990	4.8%	5,500	5.9%
Total Wages and Salaries	(80,872)	(55.3%)	(60,778)	(63.3%)
Fringe Benefits (15%)	12,131	8.3%	9,117	9.8%
TOTAL PERSONNEL COSTS	($93,003)	(63.6%)	($69,895)	(75.1%)
NON-PERSONNEL				
Professional Fees and Contract Services	$ 4,042	2.8%	$ 1,016	1.1%
Travel and Transportation	3,741	2.6%	1,743	1.9%
Rent/Rental Equivalent	12,292	8.4%	4,704	5.1%
Maintenance	2,461	1.7%	1,304	1.4%
Utilities	4,288	2.9%	1,834	2.0%
Communications	2,561	1.8%	1,452	1.6%
Supplies	3,770	2.6%	892	1.0%
Food	18,002	12.3%	9,592	10.3%
Other	2,057	1.4%	698	0.7%
TOTAL NON-PERSONNEL COSTS	($53,214)	(36.4%)	($23,235)	(24.9%)
TOTAL OPERATING COSTS	$146,217	(100%)	$93,130	(100%)
AVERAGE COST				
Capacity (18)				
Average Daily Cost Per Client	$ 22.26		$ 14.18	

communications, and supply costs have increased in response to the addition of a community resource manager to house staff. The total additions to operating costs as a result of adding the community resource referral service are $13,967 and $10,360, for the high and low average estimates, respectively. In terms of daily operating costs, the increases amount to $2.13 and $1.58 per client per day for average daily operating costs of $22.26 and $14.18, respectively.

These costs, however, represent only the in-house costs of referring clients to community resources. Provision of services to clients will result in increased expenditures by the community resources (unless all costs are fixed and there is excess capacity). If these costs are absorbed by the community, as assumed here, then they are considered external costs which will be discussed in the following chapter. Some services, however, may require payment by the halfway house or by another criminal justice system agency, thereby becoming criminal justice system expenditures.

Cost Estimates for a House Utilizing Volunteers in the Provision of Basic In-House Services and Community Resource Referral

Beyond the referral of clients to community-based resources, the Corrections Report also recommends that volunteers be utilized in providing services:

> Correctional administrators must define roles in which volunteers can serve. They must recruit, train and properly supervise volunteers across the entire range of programs, from intake to discharge, from highly skilled roles to simpler relationships, from group social events to intensive casework, including library work, teaching, legal service, and cultural activities. The range seems endless.[1]

Volunteers can be utilized on two levels within halfway houses (as well as other correctional activities):

(1) To complement halfway house staff in providing services to clients, and

(2) As a substitute for paid staff in non-administrative, non-professional positions.

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[1] Corrections, p. 230.

Accordingly, a sample budget has been constructed for a house utilizing volunteers both to complement halfway house staff in individual (one-to-one) and employment counseling, and also as substitutes for the cook/housekeeper and night and weekend supervisory personnel. Therefore there are no night or part-time counselors and no cook/housekeepers on the house staff. The community resource manager serves as a volunteer coordinator, in addition to his or her other duties described above.

Volunteers man 16 supervisory shifts per week: two eight-hour weekday shifts, 4 p.m. to 12 a.m. and 12 a.m. to 8 a.m., and six eight-hour shifts per weekend. Volunteers manning supervisory shifts are paid a stipend of $8.33 per shift to cover transportation, meals and other expenses; on holidays the stipend is $15.00.[1]

Table 10, page 68, presents the sample budget for this house. Personnel costs are significantly lower, due to the substitution of volunteers for the night counselor and part-time counselor positions, and account for a lower percentage of total operating costs than in Table 9. Other staff salaries have not changed.

Total non-personnel costs increased substantially with the addition of $7,214 in total volunteer stipends. Other non-personnel line item cost estimates are equivalent to those contained in Table 9, with the exception of travel and transportation costs which are partially variable with total wages and salaries, and hence lower. High and low average daily operating costs are $19.63 and $12.60, respectively, associated with daily savings of $2.63 and $1.58.

Cost Estimates for a House Providing Comprehensive In-House Services

For the sake of comparison, a further set of estimates has been derived for a house providing comprehensive in-house services. In addition to basic services, specialized vocational and employment counseling, psychological testing, and individual counseling services are provided. Table 11, page 69, presents the sample budget for such a house.

The bulk of the additional operating costs occurs in wage and salary costs which are $23,942 and $17,202 higher (for high and low estimates, respectively) than in the previous sample budget in Table 9, page 65 (for a house providing basic services and community

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[1] These are the stipends paid by Massachusetts Halfway House, Inc., in Boston, Massachusetts. The higher holiday stipend is intended to offer some compensation for the loss of holiday meals and festivities.

Table 10

Sample Budget for a House Utilizing Volunteers in the Provision of Basic In-House Services and Community Resource Referral (1974 Dollars)

ITEM	AVERAGE HIGH	PERCENT OF TOTAL OPERATING COSTS	AVERAGE LOW	PERCENT OF TOTAL OPERATING COSTS
PERSONNEL				
Wages and Salaries				
Director	$15,970	12.4%	$12,085	14.6%
Assistant Director/Supervisor	12,737	9.9%	9,767	11.8%
Community Resource Manager/ Volunteer Coordinator	11,756	9.1%	8,842	10.7%
Counselor	11,756	9.1%	8,842	10.7%
Secretary/Bookeeper	7,646	5.9%	6,082	7.3%
Total Wages and Salaries	(59,865)	(46.4%)	(45,618)	(55.1%)
Fringe Benefits (15%)	8,980	7.0%	6,843	8.3%
TOTAL PERSONNEL COSTS	($68,845)	(53.4%)	($52,461)	(63.4%)
NON-PERSONNEL				
Volunteer Stipends	$ 7,214	5.6%	$ 7,214	8.7%
Professional Fees and Contract Services	4,042	3.1%	1,016	1.2%
Travel and Transportation	3,469	2.7%	1,621	2.0%
Rent/Rental Equivalent	12,292	9.5%	4,704	5.7%
Maintenance	2,461	1.9%	1,304	1.6%
Utilities	4,288	3.3%	1,834	2.2%
Communications	2,561	2.6%	1,452	1.8%
Supplies	3,770	2.9%	892	1.1%
Food	18,002	14.0%	9,592	11.6%
Other	2,057	1.6%	698	0.8%
TOTAL NON-PERSONNEL COSTS	($60,156)	(46.6%)	($30,327)	(36.6%)
TOTAL OPERATING COSTS	$129,001	(100%)	$82,788	(100%)
AVERAGE COST				
Capacity (18)				
Average Daily Cost Per Client	$ 19.63		$ 12.60	

Table 11

Sample Budget for a House Providing
Comprehensive In-House Services (1974 Dollars)

ITEM	AVERAGE HIGH	PERCENT OF TOTAL OPERATING COSTS	AVERAGE LOW	PERCENT OF TOTAL OPERATING COSTS
PERSONNEL				
Wages and Salaries				
Director	$15,970	9.1%	$12,085	10.6%
Assistant Director	12,737	7.2%	9,767	8.6%
Counselors (3) (vocational, employment, group and individual)	35,268	20.3%	26,526	23.3%
Psychologist/Evaluator (1/2 time)	7,250	4.3%	5,800	5.1%
Night Counselor	9,441	5.4%	7,100	6.2%
Two Part-Time Counelors (20 hrs./week)	9,152	5.2%	5,120	4.5%
Secretary/Bookkeeper	7,646	4.4%	6,082	5.4%
Cook/Housekeeper	6,990	4.0%	5,500	4.8%
Total Wages and Salaries	(104,814)	(59.6%)	(77,980)	(68.5%)
Fringe Benefits	15,722	8.9%	11,697	10.3%
TOTAL PERSONNEL COSTS	($120,536)	(68.5%)	($89,677)	(78.8%)
NON-PERSONNEL				
Professional Fees and Contract Services	$ 4,042	2.3%	$ 1,016	0.9%
Equipment	1,240	1.0%	558	0.5%
Travel and Transportation	4,055	2.3%	1,890	1.7%
Rent/Rental Equivalent	12,292	7.0%	4,704	4.1%
Maintenance	2,461	1.4%	1,304	1.1%
Utilities	4,288	2.4%	1,834	1.6%
Communications	2,845	1.6%	1,613	1.4%
Supplies	4,087	2.3%	967	0.9%
Food	18,002	10.2%	9,592	8.4%
Other	2,057	1.2%	698	0.6%
TOTAL NON-PERSONNEL COSTS	($ 55,369)	(31.5%)	($ 24,176)	(21.2%)
TOTAL OPERATING COSTS	$175,905	(100%)	$113,853	(100%)
AVERAGE COST				
Capacity (18)				
Average Daily Cost Per Client	$ 26.77		$ 17.33	

resource referral without extensive use of volunteers). Increased salary costs associated with the addition of two full-time counselors, a part-time psychologist/evaluator and another part-time counselor to house staff account for 81 and 83 percent of the total operating cost increases. Providing the additional services in-house results in average daily operating costs of $26.77 and $17.33, respectively.

Applying the Cost Estimates

As stated in the Preface of the report, direct criminal justice system cost estimates contained in the previous analysis are intended to serve as cost benchmarks and guides to administrators, planners and analysts in estimating the costs of a halfway house activity in their own states or localities. It is in keeping with this intention that these estimates are based on actual or budgeted expenditures of a sample of houses across the country, rather than hypothetical estimates for a model house.

In order to compare the different cost estimates derived, high and low average, annual and daily, operating costs from each of the four sample budgets have been combined in Table 12.

Table 12

Average Cost Estimates for Halfway Houses Offering Different Types of In-House Services

TYPE(S) OF SERVICES PROVIDED IN-HOUSE	HIGH AVERAGE		LOW AVERAGE		AVERAGE[a]	
	Annual	Daily	Annual	Daily	Annual	Daily
Basic In-House Services	$7,347	$20.13	$4,598	$12.60	$5,973	$16.36
Basic In-House Services and Community Resource Referral	$8,123	$22.26	$5,174	$14.18	$6,649	$18.22
Basic In-House Services and Community Resource Referral Utilizing Volunteers	$7,167	$19.63	$4,599	$12.60	$5,883	$16.12
Comprehensive In-House Services	$9,773	$26.77	$6,325	$17.33	$8,049	$22.05

[a]Mean between "high average" and "low average" estimates.

As was stated earlier in the report and is further elaborated upon in Appendix A-5, both high and low averages were presented in order to provide two sets of benchmarks for administrators, planners, and analysts. For the sake of comparison, the means of these two averages are presented here as well. The house with the lowest costs is one providing basic in-house services plus community resource management but utilizing volunteers in place of a cook/housekeeper and night and weekend counselors. The $5,883 and $16.12 annual and daily estimates for this house are lower than the $5,973 and $16.36 estimates for a house providing in-house services--but only because the cost savings in eliminating night and weekend supervisory personnel has more than offset the added costs of a community resource manager (and volunteer coordinator) and volunteers' stipends. Without volunteer substitution for paid night and weekend staff personnel and a cook/housekeeper, average annual and daily operating cost estimates for a house providing basic in-house services plus community resource referral amount to $6,649 and $18.22, respectively. Substantially higher are the annual and daily operating cost estimates for a house providing comprehensive in-house services, $8,049 and $22.50, respectively.

These estimates compare with a $7,041 per inmate year ($19.29 per inmate day) jail cost estimate for calendar 1974 prepared for another Standards and Goals Project Report on institutional-based programs.[1] The average (mean) estimates for a house providing the first three combinations of services lie below that figure; the estimate for a house providing comprehensive in-house services is substantially higher.

The estimates contained in the sample budgets and in the preceding table have all been direct operating cost estimates. Direct operating costs are most important to administrators and planners, but they represent only a part of the total costs associated with operation of a halfway house. Consideration of direct costs alone underestimates the total cost of a halfway house activity; consequently these criminal justice system expenditure estimates must be combined with estimates of other relevant costs in order to assess the total economic costs of halfway houses.

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[1]This estimate is based on fiscal 1973 expenditure data for local non-juvenile institutions, contained in Expenditure and Employment Data for the Criminal Justice System: 1972-73 (Washington, D.C.: Government Printing Office, 1973). The $7,041 estimate is for a jail providing services like those of the average jail in fiscal 1973, with an additional allowance for fringe benefits and an annual capital allowance based on traditional jail construction like that undertaken in recent years, all inflated to calendar 1974 dollars using the same GNP deflator used to prepare estimates for this report.

There is an economic trade-off between in-house provision of services and external costs. Providing additional services in-house results in higher direct operating costs as compared to a house providing only basic services in-house plus community resource referral, but to the extent that fewer clients are referred out, external costs will be lower for a house providing comprehensive services in-house.

OTHER CRIMINAL JUSTICE COSTS

This chapter has thus far dealt with analyzing the direct costs of operating halfway houses within the criminal justice system. Total and average operating costs and their components have been determined and analyzed for a sample of houses. For houses in which services were provided by employees of a criminal justice agency or department, all direct costs associated with the provision of those services were determined and included in the analysis as direct operating costs. Direct cost estimates were then derived for a typical (based on sample averages) house offering alternative sets of in-house services.

The remainder of this chapter deals with three other types of criminal justice system costs of halfway houses: indirect costs, which are defined as those costs charged to other criminal justice agencies or departments which cannot be attributed to a specific service producing activity, such as a halfway house, but which are known to be associated in part, with that activity;[1] costs of apprehending and/or prosecuting clients who have absconded or committed new crimes during residence; and costs of other criminal justice system activities to which clients of a house are referred. The following three sections will discuss each type of cost in turn.

Indirect Costs

There are two types of indirect costs associated with the operation of halfway houses:

(1) Indirect personnel costs of referring or monitoring clients which are expended or charged to other criminal justice agencies or departments, and

(2) Associated administrative and non-personnel costs expended or charged to other criminal justice system agencies.

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[1]A complete discussion of indirect costs and the differences between direct and indirect costs is contained in the Typology of Costs in Appendix A-1.

Indirect costs of referring or monitoring clients are expended by or charged to either federal, state, or local agencies who have pre-released clients under their jurisdiction in a halfway house, or to courts which have sentenced clients directly to a house. These indirect costs include the costs of preliminary background research prior to referral of a client, the costs incurred during the referral process, and the subsequent monitoring costs of maintaining a file on the client during his stay in a house program.

Clients on probation or parole may have to report periodically to the probation or parole officer, or, as is the case in some houses, officers may visit the house. Both represent indirect costs of the house which are absorbed by the probation or parole department. Transportation costs incurred in monitoring clients, costs of typing up caseload reports, and supervisory costs incurred in approving referral recall decisions, represent indirect costs of the second type.

The complexities of determining estimates of indirect costs made it impossible to determine indirect cost estimates for houses in the sample or for a "typical" house. Indirect cost data provided by some of the sources in the sample, however, indicate that indirect costs may be quite large.[1]

Costs of Apprehending and Prosecuting Clients Who Have Absconded or Committed New Crimes During Residence

Another criminal justice system cost not borne by private houses, but which may be borne by state operated houses, is the cost of apprehending and prosecuting clients who abscond from the halfway house program or commit additional crimes during residence. If custodial staff members of state operated houses are utilized to apprehend clients who have absconded, and the search and apprehension process results in overtime expenditures or expenditures for additional personnel, then those added costs represent costs which would not be charged to a private house (unless staff members of the private house apprehended abscondees as well). When house staff members do not apprehend the absconded clients, then the police must do so and the costs are therefore charged to the police department.

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[1] The District of Columbia Department of Corrections, for example, estimated indirect costs for fiscal year 1974. Indirect costs of houses operated directly by the Department of Corrections ranged from $4.32/client/day to $5.27/client/day. Indirect cost estimates of houses operated privately but serving clients (work releasees) under contract, interestingly, were much higher, ranging from $11.56/client/day to $14.76/client/day. The reason given for the higher indirect costs of the private houses was that work release clients in the private houses required more administrative work.

In all cases in which the absconders or individuals who have committed additional crimes are apprehended and prosecuted, the costs of the prosecuting are borne by the courts.

Cost estimates for police and court time have been prepared for another Standards and Goals Project report on citation and summons as alternatives to arrest. The unit cost estimate for police patrol time involved in apprehension and court appearances, including departmental indirect costs, is $9.44 per hour for all cities of 10,000 population and over. Unit cost estimates for resources used in prosecution also include $21.58 per hour for a district magistrate, $16.38 per hour for a prosecutor, and $19.32 per hour for a public defender. The number of hours, or portions thereof, which are utilized in apprehension or prosecution procedures need to be estimated and combined with these unit cost estimates to arrive at a "total cost" estimate for apprehension and prosecution.[1]

If the number of clients who abscond or commit new crimes is relatively large, the total costs of apprehension and prosecution may be large as well.

Costs of Other Criminal Justice Activities to Which Clients are Referred

Clients with particular behavioral problems may be referred to other activities, both within and outside of the criminal justice system. If the activity is a criminal justice system agency, then the cost of serving the client incurred by that agency, while not a direct cost of the halfway house from which the client has been referred, is nevertheless a criminal justice system cost and is therefore considered here. Costs incurred and absorbed by non-criminal justice system activities serving clients referred by a house are defined as external costs and considered in the next chapter dealing with non-criminal justice system costs.

Several criminal justice system agencies conduct programs offering services available to clients of halfway houses. The agency for which the most detailed data is available and which is therefore included in this analysis is the Treatment Alternatives to Street Crime (TASC) Program serving individuals with drug abuse problems. Most individuals in the TASC programs are

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[1]With such time estimates, the same Standards and Goals Project report mentioned above estimates the total cost for apprehending and prosecuting a willful failure to appear in court to be $43.71.

clients of pretrial diversion activities; TASC does, however, serve offenders on probation and parole and clients of halfway houses as well. TASC programs offer counseling and rehabilitative services, while screening each individual's behavior for evidence of drug use.

An estimate of TASC per client costs was determined as part of the Standards and Goals Project's cost analysis of pretrial diversion programs. Average cost per client year was estimated to be $1,331 for low budget programs and $1,643 for higher budgeted programs, with average costs per client per day of $3.65 and $4.50, respectively.[1]

Clients of halfway houses who are also undergoing counseling or psychiatric services in a TASC activity, incur criminal justice system costs under both programs. If the client requires drug-related medical treatment, or if the client is an alcoholic, he (she) may be referred to an agency/organization outside the criminal justice system, the costs (external) of which are the subject of the next chapter.

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[1] Both of these estimates include only those costs of TASC activities which are borne by the criminal justice system. Excluded are the costs of services typically provided outside the criminal justice system, such as actual drug-related medical treatment. The average cost per year is derived by dividing the total annual criminal justice expenditures by 250, the number of "client slots" available in the sample drug diversion activity. The "design capacity" and the "actual total clients served" of drug diversion activities are assumed to be identical, based on statistics for operational TASC activities. As in the sample budgets for halfway houses providing combinations of services, the same format with high and low averages was used. The complete sample budget for a typical TASC program is contained in Appendix A-6.

CHAPTER III

OTHER COSTS

The previous chapter dealt with analyzing the costs incurred by the criminal justice system in the operation of a halfway house. In addition to these criminal justice system costs are:

- External costs incurred by public or private agencies and organizations outside the criminal justice system in serving clients of halfway houses (which are not charged to the halfway house or any other criminal justice system agency);[1]
- Opportunity costs incurred by clients of halfway houses;[1]
- Costs to the community in which the halfway house is located.

These three types of additional costs are the subject of this chapter.

EXTERNAL COSTS

One of the themes consistently present throughout the Corrections Report is that greater use of community resources must be made in providing services to individuals entering the criminal justice system. Standard 7.2 of the Report, Marshaling and Coordinating Community Resources, specifically states:

> Each State correctional system or the systems of other units of government should take appropriate action immediately to establish effective working relationships with the major social institutions, organizations and agencies of the community, including the following:

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[1] A more detailed definition and discussion of these costs are contained in Appendix A-1.

> 1. Employment resources--private industry, labor unions, employment services, civil service systems.
>
> 2. Educational resources--vocational and technical, secondary college and university, adult basic education, private and commercial training, government and private job development and skills training.
>
> 3. Social welfare services--public assistance, housing, rehabilitation services, mental health services, counseling assistance, neighborhood centers, unemployment compensation, private social service agencies of all kinds.
>
> 4. The law enforcement system--Federal, State, and local law enforcement personnel, particularly specialized units providing public information, diversion, and services to juveniles.
>
> 5. Other relevant community organizations and groups--ethnic and cultural groups, recreational and social organizations, religious and self-help groups, and others devoted to political or social action.[1]

The Report elaborates further in the accompanying narrative:

> Instead of hiring a large number of additional correctional staff members to perform the services already provided to nonoffenders, it is much wiser for correctional agencies to try to develop effective working relationships with the agencies and institutions with which offenders come in contact.[2]

In the previous chapter on the direct criminal justice system costs of implementing the Standards for halfway house programs, the additional personnel and personnel-related costs of adding a community resource manager to the staff of a house providing basic services were estimated. It should at this point be clear that the greater community costs of implementing the Standards are external costs of providing services to which clients are referred. External costs of halfway houses can be divided into the costs of the following public and private agencies and institutions to which clients are referred for specialized services:

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[1] Corrections, p. 240.

[2] Ibid., pp. 240-241.

(1) agencies/institutions providing full-time educational and vocational training services;

(2) agencies/institutions providing drug treatment services (typically in conjunction with a TASC program);

(3) agencies/institutions providing detoxification services for alcoholics;

(4) agencies/institutions providing mental health services;

(5) agencies/institutions providing leisure services.

Discussion of the services provided by each and associated external cost estimates are contained in the following sections.[1]

Costs of Education and Vocational Training

While the principal focus of all halfway houses is on full-time employment, most of the houses offer at least the opportunity for referral to external agencies and institutions offering education and vocational training services.[2] Most houses have some type of in-house General Equivalence Diploma program, either taught by a staff member (non-specialized) or by an area teacher on a part-time paid or volunteer basis. A few houses do refer clients to GED classes taught in the community. Such programs are typically free or low cost ($15 to $50).[3] Further accredited education beyond the high school degree requires referral outside the house to an agency or institution providing such services. Institutions providing education/vocational training services are two year community colleges (associate degree), four year colleges (bachelor and advanced degrees) and trade and technical schools. Estimated costs of educational/vocational training by such institutions are presented in Table 13, page 80.

As illustrated by Table 13, the costs of providing educational services are significantly less ($287 per year and $541 per year for two-year and four-year colleges, respectively) than vocational training costs ($900 per year). This is qualified, however, by the fact that the cost estimates for educational services are

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[1]Cost estimates for treatment services for clients with drug, alcoholic, or mental problems were prepared for another Standards and Goals Project report on pretrial diversion activities.

[2]A discussion of the relative emphasis of most halfway houses on immediate full-time employment is contained in the next chapter.

[3]This is the range of external costs of GED classes for the houses in the sample.

Table 13

Costs of Education and Vocational Training (1974 Dollars)

Type of Program	Type of Cost	Cost per Client Year[a]	Cost per Client Day[a]
Two-Year Community College	Tuition and Fees	$287	$1.05
Four-Year Public College	Tuition and Fees	$541	$1.98
Trade/Technical School	Tuition Only	$900	$3.30

Sources: (1) College Scholarship Services, Student Expenses at Post-secondary Intitutions (Princeton, N.J.: College Entrance Examination Board, 1974).
(2) National Association of Trade and Technical Schools, Washington, D.C. Estimates are based on the actual costs of students attending the 430 member schools of the Association.

[a]Costs are based on an academic year, September through June, and are therefore based on a time period of nine months or 273 days.

for public institutions only; private educational institutions are typically more costly.

Costs of Drug Treatment Services

Clients with drug problems may require specialized counseling and psychiatric services and, if addicted, medical treatment (methadone maintenance, for example) services.[1] Such services are usually non-residential (outpatient), but for clients physically addicted, medical drug treatment may require residence for a short time. Table 14, page 82, contains cost estimates for the different types of agencies and institutions providing these services.

Costs of drug treatment are substantially higher than the costs of education and vocational training, ranging from $1,278 per client year for non-residential treatment services to $6,254 per client year for residential services. Costs of drug treatment services are typically charged to agencies outside the criminal justice system and are therefore external costs (although in some cases, houses may have to bear urinalysis costs or pass them on to clients). Houses with a high percentage of clients with drug problems requiring outside referral can incur substantial external costs.

Costs of Detoxification Services for Alcoholics

Clients who are alcoholics may require specialized outpatient counseling and psychiatric services and, for severe problems, inpatient detoxification treatment for short periods. Such services are provided by public and private hospitals and detoxification centers. The costs of these services are presented in Table 15, page 83. Costs range from $15.84 per client day for outpatient treatment to $171.55 for inpatient treatment services. The more significant statistic, however, is cost per client stay, which ranges up to $1,274.21 for partial hospitalization. Moreover, clients with severe alcoholic problems may require several stays. As costs of providing both outpatient and inpatient detoxification services are typically charged to agencies/institutions outside the criminal justice system and hence external, houses with a high percentage of clients with alcohol problems requiring outside referral for treatment may also incur substantial external costs.

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[1] TASC programs do provide counseling and psychiatric services, but do not provide drug treatment services. Currently, TASC programs are operated in only 20 states.

Table 14

Cost Estimates of Providing Drug Treatment Services (1974 Dollars)

MODALITY	COST PER CLIENT YEAR[a]	COST PER CLIENT[a]
Drug-Free Residential Community	$6,254[b]	$1,813[g]
Outpatient Abstinence Clinic	$1,278[c]	$ 592[h]
Day-Care, Drug-Free Project	$2,750[d]	not available
Outpatient Methadone Treatment Center	$1,300-$2,100[e]	$ 515[i]
Residential Methadone Maintenance Project	$5,135[f]	$1,000[f]

Footnotes explaining sources and components for the cost estimates shown in this table appear in Appendix A-7.

Table 15

Cost Estimates of Providing Treatment Services to Alcoholics
(1974 Dollars)

TREATMENT MODALITY		TREATMENT SITE	Cost Per Client Day	Average Length of Stay	Cost Per Client Stay
	Inpatient Emergency Care	General Hospital	$171.55	.4 days	$589.14
		Specialized Alcoholism Hospital	57.70	4 days	230.84
		Other Specialized Hospital	97.39	4.9 days	471.56
		Hospital Affiliated Medical Emergency Care Center	78.55	3.8 days	149.15
		Hospital Affiliated Non-Medical Emergency Care Center	16.39	3.1 days	53.01
	Inpatient Care	General Hospital	87.38	10.4 days	766.24
		Specialized Alcoholism Hospital	33.78	8.0 days	270.21
		Other Specialized Hospital	93.66	9.4 days	923.98
		Hospital Affiliated Inpatient Care Under Medical Supervision	117.00	6.2 days	1,173.71
	Intermediate Care	Partial Hospitalization	74.15	16.8 days	1,274.21
		Recovery Home	12.66	56 days	687.02
		Other 24-Hr. Non-Medical Residential Center	21.08	29.8 days	735.17
		Specialized Alcoholism Hospital	26.74	30.3 days	792.99
	Outpatient Care	Hospital-Based Outpatient Clinic	20.07	13 visits	260.91
		Family or Neighborhood Alcoholism Center	15.84	11.7 visits	219.97
		Community Mental Health Center	32.22	8.3 visits	300.87

Source: Booz Allen and Hamilton, "Cost Study of Model Benefit Package for Alcoholism Treatment Services," prepared for the National Institute on Alcohol Abuse and Alcoholism and the National Council on Alcoholism, 1974.

Costs of Mental Health Services

Clients with mental illnesses may require outpatient or short run inpatient services provided by public and private hospitals or other institutions (outside the criminal justice system). The costs of providing such services are contained in Table 16, page 85. The daily cost per client ranges from $30.86 for inpatient care at public hospitals to $72.80 for inpatient care at private hospitals. As the major expense is personnel costs, outpatient care is not much less costly than inpatient; for treatment in an outpatient psychiatric clinic, the daily cost per client is $36.60.

Costs of such services are almost always charged to the institution providing the services and hence external. Relatively fewer clients are referred out for treatment of mental illness as compared to referral for treatment of alcohol and drug problems, and hence aggregate external costs of providing treatment services to mentally ill clients are not expected to be as large.

Leisure Services

Another type of external cost considered is that associated with private or public institutions, agencies, or businesses providing leisure services to clients.

Although leisure services have typically received low priority compared to supervision and other services to clients, some houses allocate a portion of staff time (as well as volunteer time, if volunteers are utilized) to locating free or low cost (to the halfway house) leisure resources and activities. Such resources and activities range from use of private and public gymnasiums and swimming pools to free or lower-priced movies and concerts.

As with volunteers, use of these services may be costless or low cost, but external costs are imposed on the resources providing them. The extent of these external costs obviously varies with both the type of resource and the nature of the service. A cost trade-off exists between the amount and type of leisure service provided (and therefore the external costs of those services) and the leisure-related opportunity costs to clients of the halfway house (which will be discussed in a following section). The greater the amount, and wider the variety, of leisure resources available to clients, the smaller will be their opportunity costs.

Volunteer Services

A final type of external cost is that borne be volunteers who work in halfway house programs. While current use of volunteers is still on a small scale and functions performed are generally limited to

Table 16

Cost Estimates of Providing Mental Health Services
(1974 Dollars)

MODALITY	COST PER CLIENT DAY
Free Standing Outpatient Psychiatric Clinics[a]	$36.60
Inpatient Services At Public Hospitals[b]	$30.80[f]
Inpatient Services At Private Hospitals[c] Non-Profit For Profit	 $72.80[f] $63.00[f]
Residential Treatment Centers[d]	$37.82

Sources: U.S. Department of Health, Education and Welfare, National Institute of Mental Health Statistics A-10, A-13 and Statistics Note 106 and preliminary unpublished data from the National Institute of Mental Health; and Jeff Gillenkirk, "There's No Place Like Home," Washingtonian, (September 1974), pp. 162-164. All costs have been converted to 1974 dollars using the GNP implicit price deflator for purchases of all goods and services by state and local governments.

[a]Estimate is for all ages for all diagnostic conditions. 74 percent of the cost is for salaries; 21 percent for other operating expenditures; 5 percent for capital expenditures.

[b]Estimate is U.S. average. 79 percent of cost is for salaries.

[c]Estimate is U.S. average. 63 percent of cost in non-profit hospitals is for salaries; 54 percent in profit hospitals is for salaries.

[d]Estimate is for Washington, D.C.

[e]Estimate is U.S. average, all facilities, all patients under 18.

[f]The average costs of hospitalization for mental illness are lower than hospitalization for alcoholism, drug addiction or for other physical ailments because mental hospitals are often only custodial, are understaffed with low-paid personnel and because the treatment of mental illness, unlike physical illness, does not require costly equipment. Interview with M.J. Witkin, Division of Biometry, National Institute of Mental Health, 9 October 1975.

one-to-one counseling and night and weekend supervision, indications are that the utilization of volunteers is rising.[1]

Methods of estimating the value of such volunteers' time contributions vary. Costs may be estimated as the value of volunteers' leisure time foregone plus their expenses (such as transportation and food) which are not reimbursed, or as the imputed value of the volunteers' services were they to be paid a salary.

Because of the current limited utilization of volunteers in halfway houses, the Standards and Goals Project did not attempt to derive estimates for this type of external cost. The Corrections Report, however, stresses increased use of volunteers in corrections, as was discussed in Chapter II. As with the previous external costs analyzed, to the degree that the Corrections Standards are implemented, external costs of volunteers will increase.

Aggregate External Costs of Halfway Houses

No estimate has been made of either average or total numbers of clients referred out for services provided by agencies or institutions outside the criminal justice system; therefore no estimates of aggregate external costs of halfway houses can be determined. Total costs of providing out-of-house services depend upon the needs of clients and the policies of the house.

Of the houses in the sample, most of those serving exclusively work releasees do not refer clients out for educational/vocational training as a matter of policy; a few refer clients out for vocational training and one refers clients out for both. Of the houses serving clients either from other jurisdictions or sentenced directly, some do not refer clients out for either service. Less than a third of the houses in the sample refer clients out for these two (or any) services, and of that number of houses, less than 20 percent of the clients are referred. On an aggregate level, less than 5 percent of all the clients of houses in the sample are referred out for educational or vocational training.

Although the extent to which clients are referred out for treatment services is not known, the percentage is also apparently

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[1]This is particularly the case in private houses, where lack of funding pressures serve as an incentive to the volunteer-for-paid-staff substitution, described above and in Chapter II. Use of volunteers in state-operated houses is limited because such incentives typically do not exist. Union pressure on houses in some larger cities would likely restrict any substitution attempt.

small. Many houses screen out clients with alcohol and drug problems as part of the initial pre-acceptance background research.

Consider, however, a house serving 18 clients. Assume that two of the clients are referred out for educational and vocational training, and that two more are referred out for each of the different types of treatment services costed out previously (for drug and alcohol abuse and mental illness). A lower bound on the total external costs of that house (assuming the costs are absorbed by the institutions providing the services or by non-criminal justice system agencies) would be $9,913, distributed as shown in Table 17, page 88. Client problems requiring more specified treatment or necessitating residential care would raise the estimate. If the number of clients being referred out were doubled, external costs associated with those referrals would be just under $20,000.

Since many individuals entering the criminal justice system are undereducated and have drug/alcohol/mental problems, the potential for outside referrals exists.[1] Total external costs of a particular house ultimately depend upon that house's screening and referral policies.

Opportunity Costs Incurred by Clients of Halfway Houses

Clients of halfway houses who have been referred (by federal or state parole, or federal, state or local probation authorities) incur opportunity costs as a result of their increased supervision and restricted mobility. Employment opportunities may be lessened as a result of restricted locational choices; clients of houses located in large cities may be forced, by the time constraints imposed by house authorities and by the limitations of public transportation, to work in locations relatively near the halfway house. This lessening of employment opportunities could affect the earnings of a client, depending on the pattern of employment opportunities within the particular city in which the house is located. If, for example, a house is located in the inner city (as many houses are) and most job opportunities for which the client is qualified are located in the suburbs (to which public transportation is often not available), then the transition from probationer or parolee to resident of a halfway house restricts the individual's employment opportunities and may force him (her) to work in a lower wage position. A measure of the size of this opportunity cost is the loss in earnings resulting from the restricted opportunities.

Such a measure, however, ignores another part of the opportunity cost, the real, but not easily quantifiable,

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[1]Keller and Alper, Halfway Houses.

Table 17

Estimated External Costs for a Selection of Treatment Services Provided to Eight Clients of a Halfway House (1974 Dollars)

TYPE OF TREATMENT	NUMBER RECEIVING TREATMENT	EXTERNAL COST FOR ONE YEAR[a]
Education	(1)	$541
Vocational Training	(1)	$900
Drug Treatment		
Methadone Maintenance	(1)	$1,278
Outpatient Abstinence Clinic	(1)	$1,300
Alcohol Treatment		
Outpatient Detoxification Counseling Clinic	(2)	$2,088
Mental Illness Treatment		
Outpatient Psychiatric Clinic	(2)	$3,806
All Treatment Services	(8)	$9,913

[a]More specifically, assume: one client is attending classes at a public four-year college, another classes at a vocational school; two clients are receiving non-residential drug treatment services, one at a methadone maintenance clinic and another at an outpatient abstinence clinic; two clients are receiving detoxification services (once a week) at a hospital outpatient clinic; and two clients are receiving weekly counseling sessions at an outpatient psychiatric clinic.

dissatisfaction resulting from working in a less desirable job. In the language of the economist, this cost is the utility loss on the part of the individual resulting from less desirable employment. However, the extent to which this opportunity cost is incurred by residents of halfway houses is diminished by two realities:

(1) Clients of halfway houses are generally undereducated and unskilled, and therefore unqualified for other than low wage, unskilled positions which are generally available in most sections of the city, and

(2) Most clients of halfway houses are prereleasees or preparolees coming from institutions (an environment in which they had no employment opportunities).

A second type of opportunity cost incurred by clients of houses with prior probation or parole status is any utility loss resulting from diminished leisure opportunities. Such a cost, like the employment-related utility loss, is real but unquantifiable with current estimation techniques and data.

Both leisure-related and employment-related opportunity costs are largely functions of the location of the house and the services provided. Location near employment and recreational opportunities, or arrangements for transportation to them, reduce or eliminate these opportunity costs. In the language of the economist, (once more) there exists a trade-off between location and transportation to the employment and recreational activities (or provision of leisure activities in-house). The nearer the location to these opportunities, the smaller are the opportunity costs to the clients of a house. Similarly, these opportunity costs will be larger with poorer locations or less adequate transportation arrangements.

To the extent that there are budget (criminal justice system) savings by location in a relatively poor or distant location without access to adequate transportation, these savings may be traded off as increased opportunity costs to the clients and these costs may outweigh the savings gained. As these costs are real, they must be considered not only in a cost analysis, but especially in the initial development (decision-making) phase of a halfway house program.

In terms of total opportunity costs imposed on clients, halfway houses lie somewhere in between probation and institutionalization. Probation, with lesser restrictions on both employment and leisure activities, imposes less opportunity costs than does a halfway house. Institutions, on the other hand, with complete restrictions on both employment and leisure opportunities, impose much higher opportunity costs than do halfway houses.

Costs Incurred by the Community in Which a House is Located

The last type of costs to be analyzed are costs to the community in which a house is located. Two costs are commonly cited in community opposition to neighborhood location of a proposed halfway house:

(1) Lower property values to homeowners or commercial property owners in the immediate neighborhood in which a house is located, and

(2) Utility losses from crimes committed by clients.

Whether these costs are real is currently an open question.

The first, if real, involves a pecuniary loss to homeowners and property owners which is incurred when the properties are sold. An analysis of whether those costs are incurred requires a before and after (initiating operation of the halfway house) study of market values to determine if they have actually declined. No such formal research effort has yet been undertaken. Studies which have been undertaken on an individual house basis have concluded that no discernible decline in property values occurred.[1] It is plausible, however, that if a number of crimes were committed by

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[1] Crofton House in San Diego (now defunct) undertook an unsophisticated study in 1966 of the decrease in property value allegation. They studied (1) whether there was a significant increase in sales of houses within the immediate neighborhood shortly after Crofton House opened, and (2) whether there was a significant decrease in property values. The results of the study indicated that there was neither a significant increase in sales nor a decline in market values. Their variable for determining market value, however, was actual sales price as a percentage of asking price, not a very good variable for the phenomenon being tested.

A similar study (1974) was conducted for two halfway houses located in the Pacific Northwest region: Agape House in Seattle, Washington, and the Portland Men's Center in Portland, Oregon. The study was conducted as part of a research effort contracted for by a citizen committee in Portland (North Portland Citizens Committee) in response to the proposed neighborhood location of a halfway house (Hacienda House). The study of whether property values were affected by location of the two halfway houses was conducted by the Multnomah (Oregon) and King (Washington) County assessors. Both assessors, after reviewing property sales records and inspecting the properties involved, concluded that there had been no discernible change in property values as a result of the halfway house locations.

clients of a particular house over a matter of years, and if the house continued to operate, the reluctance of families to live in or move into the neighborhood would be reflected in lower market values.

Members of the immediate community may incur costs as a result of crimes actually committed by clients of the house as well as fear that crimes may be committed. It has not been demonstrated, however, that clients of halfway houses commit (or are likely to commit) more crimes than the general population at large. Costs may be incurred by members of the community as a result of crimes committed by clients of a house, but no proof exists that such costs exceed the costs of crimes committed (on the average) by the non-client population of the community. As with the property value decline issue, no formal research efforts have been completed, and the studies for individual houses that have been undertaken have for the most part concluded that no significant community crime costs are imposed.[1]

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[1] The Crofton House staff also studied the greater community cost of crime allegation. They compared all offenses reported within the beat in which the house was located to all offenses reported in the city from two years before the house opened to one and one half years afterward. The results proved inconclusive. Beat offenses as a percentage of total offenses amounted to 4.0% in 1962, 4.5% in 1963, 4.5% in 1964, the year the house opened (October), 4.3% in 1965, and 3.9% for the first half of 1966.

The North Portland Citizen's Committee study report also dealt with the community safety issue. The Committee employed a three fold approach: (1) interviewing individuals residing in other communities in which a halfway house was located, (2) contacting police departments in those same communities, and (3) studying available crime statistics for those communities. The study concluded:

> . . . it does not seem that work release enrollees pose a significant threat to the neighorhood around a center. Only a very small portion of enrollees become involved in criminal activities while in the centers. Most of what crimes are committed are minor in nature.

The State of Oregon conducted a six year (1966-1972) study of its work release facilities and determined that only .6 percent (18) of the total enrollees in work release over that period committed additional crimes.

Lastly, data regarding crimes committed during residence was collected for the following houses in the sample: Dismas House in St. Louis, Opportunity Center in Waco, Texas and McMillan House in Cincinnati. For Dismas House, of 83 participants in the halfway house program over the course of 18 months, only one was convicted (or arrested) of a new offense during residence there. For the

Costs may be incurred on the expectation of crimes committed as well as crimes actually committed. Such costs may be real to the individual although based on false assumptions. Fear of increased crime may restrict the leisure opportunity of members of the community and result in utility losses. Of course, such costs are largely unquantifiable.

Finally, the community in which a house is located can suffer a tax loss if there is the sale of a tax-generating facility to a non-profit halfway house program. This cost is an easily quantifiable monetary cost; however, both as a percentage of total taxes and in comparison to other costs associated with halfway houses, the tax loss is virtually negligible.

There is a need for a formal research effort into the area of total costs to communities in which halfway houses are located. The development of a methodology for determination of, and compensation for, such costs could both eliminate inequalities caused by the imposition of costs, and reduce community opposition to additional halfway houses.

Opportunity Center, of 104 participants discharged from the program over a 20 month period, 7 were arrested for crimes committed while in residence there. The breakdown of the newer crimes was as follows: 3 for sale of marijuana, 3 for burglary, and 1 for robbery by assault. Four of the 7 crimes included physical or monetary costs to residents of the community. For McMillan House, for 93 admissions over a year, 7 were arrested for new charges during their residence there. As a total sample of 280, 15 or 5.4% were arrested for crimes committed during residence. For the sake of comparison, the national arrest rate in 1973 for the country as a whole was 4.2%, and for cities over 250,000, 5.7%. (Federal Bureau of Investigation, Crime in the United States, 1973).

CHAPTER IV

THE BENEFIT SIDE: STRENGTHS, WEAKNESSES AND THE IMPACT OF IMPLEMENTING THE STANDARDS

The primary focus of this report has been on costs of halfway house operations. The outputs, or benefits of halfway houses have been touched upon on occasion, but only in relation to a particular type of cost. Types of services provided have been discussed but not the benefits derived from those services, either accruing directly to clients or indirectly to society at large. Data for such a study is not currently available, nor has a research methodology which can adequately be applied to halfway houses as yet been devised.

Another focus of earlier chapters has been to maintain a purely objective approach in organizing the sample and discussing the results of the sample analysis. This study has, however, brought the Project into contact with all facets of halfway house operation and afforded the opportunity to consider the implications of various policies and procedures employed by halfway houses in general, as reflected by those in the sample. Having completed the analysis of all relevant costs of halfway houses, this report now turns to analyzing certain of those policies and procedures which, if restructured, would yield additional net benefits.[1]

Consider post-trial corrections as an industry in which correctional authorities produce services to be consumed by

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[1] Net benefits are the extent to which benefits exceed costs. Net benefits can be increased by means of three different strategies:

(1) Increasing benefits without affecting costs
(2) Decreasing costs without affecting benefits
(3) Effecting changes in both benefits and costs.

In regard to the first strategy, there exists in economics a criterion called the "Pareto Optimality" criterion. A state of Pareto Optimality with respect to resource allocation exists when it is possible to make no one better off without making someone worse off. Holding costs constant, as the first strategy does, is, in effect, equivalent to not making anyone worse off. A particular policy would be Pareto Optimal if no additional changes could be made without making some clients (or society) worse off.

convicted offenders (who have little choice but to consume whatever is supplied). By definition, an industry is a collection of firms producing a "similar product;" corrections activities can be characterized as producing a similar product--services to accused or convicted offenders.[1] Halfway houses comprise a sub-industry within corrections; and each halfway house is a producer within the industry, employing various combinations of resources to produce services. As producers, halfway houses have a choice of employing in-house resources or utilizing external, community-based resources. Each halfway house is, in addition, a distributor of those services and is responsible both for determining who the consumers of those services will be and which consumers will consume which combinations of services.[2]

Halfway houses possess a certain degree of monopolistic power within their operations. In traditional economic theory, monopolistic power is demonstrated by controlling output and thereby controlling prices and restricting consumer choices. Halfway houses exert monopolistic power as they determine whom they will serve and what they will serve them, and thereby restrict client choices. They consequently control opportunity costs to clients, which can be considered as the price clients pay for those (restricted) choices. The degree to which choices are restricted is directly related to the price or amount of total opportunity costs. Choices are more severely restricted and opportunity costs greater for inmates of institutions than for clients of halfway houses; similarly, choices are less restricted and opportunity costs less for probationers than for halfway house clients.

The degree to which monopolistic power is exerted, and consequently, client choice restricted and opportunity costs imposed, varies among the individual houses. To the extent that houses are ultimately responsible to other corrections authorities or to the courts, the monopolistic power of the individual house is diminished.[3]

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[1]"Services to clients of halfway houses" is, in reality, a joint product. Such services include both custody (an indirect service to clients, more a service to society) and other services (such as job placement) to clients. The services are a joint product because the inputs cannot be separated. House staffs perform both functions at the same time.

[2]For most services, with the exception of food, production and distribution are simultaneous functions. Supervision and counseling, for example, are one stop, production-distribution operations. However, it is useful to view the functions separately, so as to consider the inputs of production on the one hand (labor, physical resources, the facility), and the recipients to whom the services are distributed on the other.

[3]The economic classification of market structure to which

Halfway houses must compete with other activities, both within the corrections industry and with activities from other industries, for financial resources and for labor resources as well. Hence a halfway house is both a competitor in the resource markets, and a monopolist in the distribution of services.

The function of the entire corrections industry, and therefore of halfway houses, can be considered from a social welfare viewpoint to be the maximization of benefits to society through provision of services (including custody) to offenders.[1] As such, the objective function of both the halfway house sub-industry as a whole, and individual houses, can be considered to be the employment of available (though scarce) resources in such a manner as to maximize the societal benefits derived from both providing services produced in-house and from referring clients to services produced outside.

Halfway houses, both on a sub-industry and an individual house level, generally interact little with other correctional alternatives or with one another. To the extent that this results in duplication of services or underutilized resources, and to the extent that planning, managerial, or production efficiencies could be realized, increased interaction with other correctional alternatives and among the halfway houses themselves would yield increased benefits.[2]

Planning on other than an individual house level is conspicuously absent, and even on that level, long range planning is infrequent. Lack of planning or short run planning can result in sub-optimal resource allocation decisions. For a community in which there are several houses, for example, a less than optimal resource allocation may occur because of duplication of services (in-house) among the houses. Resources might be better allocated by having individual houses specialize in serving clients with particular needs (employment, education, vocational training) or problems (drugs, alcohol, mental), with clients being sentenced or referred to particular houses on the basis of their needs and/or problems. Long range planning, particularly on a local (city) level could

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the halfway house sub-industry most closely conforms is called monopolistic competition. Under monopolistic competition, there are a number of small firms, each of which, however, has some (monopolistic control over its product (services).

[1]An equivalent function to maximizing societal benefits would be minimizing social costs.

[2]At the other end of the interaction continuum is collusion (too much interaction). Whereas in more traditional economics such collusion typically results in price fixing, collusion among halfway houses would likely carry policy rather than price implications (i.e., movement toward more restrictive policies).

result in a better allocation of local resources among houses (and other local correctional activities) and a more optimal distribution of services. Planning in conjunction with other criminal justice departments, agencies or activities can, in addition, better ensure that halfway houses operate at or near capacity, thereby better utilizing their resources.

As most houses are dependent primarily on federal and state financial resources for continued operation, and as financial resources are limited, houses must compete with one another and with other correctional activities for funding resources. To the extent that funds are awarded on the basis of the "success" or visible short run benefits of houses, the following policies, which may be restrictive (in terms of societal benefits) are often adopted:

(a) Screening policies which accept only clients who are most likely to succeed--that is, young, inexperienced (few or no previous convictions) and not dangerous (no previous assault convictions)--are used. It is, however, offenders with several previous convictions who possess the greater crime potential; that is, they are most likely to commit additional or more serious crimes in the future. Accordingly, it is possible that providing services in a halfway house environment to offenders with histories of repeated offenses could effect a greater reduction in crime than providing the same services to younger, inexperienced offenders. Greater societal benefits could be realized by a loosening of screening policies, and thereby providing services to a client base possessing a broader range of criminal backgrounds.[1]

(b) Employment counseling and referral is emphasized more than education or vocational training. Immediate employment offers measurable benefits (earnings, taxes, family support, room and board payments) in the short run, while education and vocational training yield primarily long run benefits. Long run societal

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[1]For example, if providing services in a halfway house setting to each offender with multiple prior convictions effected a reduction in future crimes committed of 3 per offender, while providing the same services to offenders with only a few (or no) prior convictions resulted in 2.5 fewer crimes (of the same type) for each, society would be better off providing more services to more experienced offenders. Or if providing services to both types of clients effected identical reductions in future crimes committed for each, but the crimes committed by more experienced offenders were typically more violent and socially costly than those committed by less experienced offenders, then providing more services to more experienced offenders would benefit society as well.

benefits of education and vocational training would appear to be significantly greater than those of immediate employment because clients of halfway houses are generally poorly educated and unskilled, and without education or training, will be continually relegated to low paying positions, whereas education and vocational training investments yield a long run stream of significantly higher earnings.[1]

(c) Individual houses may produce services in-house rather than refer clients to services produced in the community, so as to maximize control over clients (and over "success" of clients). In some houses, clients are not referred out even when needed services are not produced in-house. As long as some clients are undereducated or untrained, or have personal drug, alcohol, or mental problems, policies which restrict outside referral of clients will generally restrict societal benefits as well.

Implementation of the Standards contained in the Corrections Report would have the effect of introducing limited regulation into the halfway house sub-industry on several levels.[2]

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[1]Education and vocational training may possibly yield additional benefits as well to society in the form of reduced crime, if the recidivism rate for better educated or better trained ex-offenders is lower than that of the general ex-offender population.

An interesting survey was conducted several years ago as part of an evaluation of Florida's state community corrections (work release) centers. A question asked during the course of the interview was: "What is the minimum amount that you feel you need to get by?" Answers ranged from $40 per week on up to some highly unrealistic figures, but most replies fell into the $120-$200 range. Gross wages for residents of houses in the sample averaged only $120-$150 per week. As long as individuals perceive their need to be greater than the returns from employment, or any other source of income (e.g., welfare payments, unemployment benefits, income maintenance), they are unlikely to hold a job over the long run and more likely to return to crime as a part-time or full-time occupation. To the extent that education and vocational training result in higher income, it would seem that additional societal benefits can be derived from their expanded provision. Currently, however, total societal benefits resulting from education and vocational training services are limited by offender employment restrictions.

[2]Too much regulation, like too much collusion, can restrict total societal benefits from halfway houses as well. Two strengths of halfway houses are their small scale, non-secure mode of operation and their relatively young, enthusiastic staffs. Complete

(1) Halfway houses would be included as part of a state and/or local long range master plan. Individual houses would conform to state and local standards. Other state and local correctional activities would also be included in the plan, so as to optimize the allocation of correctional resources among all correctional activities. Such planning on the state level would have the effect of reducing competition among individual houses within the state. Short range planning and decisions regarding client progress (through the house programs) and service provisions, however, would still be primarily the responsibility of the individual house.

(2) The role of halfway houses as a direct sentencing alternative would be expanded. This would result in a greater percentage of clients assigned directly to houses by the courts and, in conjunction with the Report theme of minimum penetration, result in a wider mix of clients in terms of age, type of offense, and number of previous convictions.

(3) The production-distribution role of houses would be lessened, by emphasizing referral of clients to services provided by community resources rather than providing those services in-house, and by both increasing the number of clients sentenced directly by the courts and restricting the power of administrators of houses to turn down prospective clients referred by other correctional activities.

This discussion of current policies and procedures of halfway houses on both an individual house and sub-industry level, and of the implications of implementation of the Corrections Standards, has been intended as a brief discussion of potential economic considerations associated with the benefit side of halfway houses, both current and proposed. While the primary focus of this report has been a cost analysis of halfway houses and implementation of the Corrections Standards relating to halfway houses, the benefit side cannot be completely ignored in an economic analysis; hence this brief discussion. Both comprehensive and detailed research efforts into policies and practices of halfway houses and their impact in terms of benefits to clients and to society are needed so that optimal policy and procedural strategies can be developed, and cost/benefit trade-offs identified.

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regulation on, for example, a state level could result in larger scale, more closely supervised operations (as is often the case in state-operated work release houses) and state control of staffing.

CHAPTER V

SUMMARY AND CONCLUSIONS

This report has a two-fold function:

(1) To present a uniform but comprehensive methodology for analyzing costs of halfway houses on any level (federal, state or local), including the costs of implementing the Standards recommended in the Corrections Report, and

(2) To present the result of such an analysis carried out for a sample of halfway houses from across the country.

The previous four chapters have presented the methodology and the results of the analysis. This chapter summarizes what has been developed in the previous chapters, and concludes by recommending directions for additional research efforts.

The subject of this analysis has been all costs associated with the operation of halfway houses as recommended by the Corrections Standards. These costs include:

- Criminal justice system expenditures,
- External costs,
- Opportunity costs incurred by clients of halfway houses, and
- Costs to the community in which a house is located.

The focus of the analysis has been on those costs about which substantial information is available, and therefore on criminal justice system and external costs.

COSTS OF IMPLEMENTING THE CORRECTIONS STANDARDS

Halfway houses occupy two roles within corrections: as resources serving clients from other criminal justice programs (for example, diversion and parole) and as direct sentencing alternatives. The second role, that of direct sentencing alternatives, is currently limited, but increased use is recommended by the Corrections Report.

In addition to expanding the direct sentencing role of halfway houses, implementing the Standards of the Corrections Report would result in greater referral of clients to services provided by community resources outside the halfway houses, rather than provision of such services in-house. Implementation of the Corrections Standards thus will affect all four types of costs listed above. How each will be affected has been analyzed in turn.

Criminal Justice System Costs

A sample of halfway houses was selected to represent a cross-section of houses across the country, by size, type (state-operated, private independent, private agency-operated), services provided, location (geographical region, size of city, type of neighborhood), and types of clients served. The sample was selected on the basis of several additional criteria as well: principally, duplicability and availability of cost data. Even for houses included in the sample, several data limitations were in evidence. They included:

- Houses operated on, and therefore budgeted expenditures on, different yearly cycles. Some houses operated on a calendar year basis, others on a fiscal year, and some even operated on other cycles.

- There was a lack of complete records of actual expenditures. Some houses recorded only budgeted expenditures.

- Houses excluded certain costs from the budgeted and recorded, actual expenditures. Costs most commonly excluded were facility costs and fringe benefits.

If previously deleted, allowances for fringe benefits were included in total personnel cost estimates. Rental equivalents were calculated for facilities owned rather than rented. All cost data were standardized to 1974 dollars, employing the GNP deflator for state and local government purchases. Average costs were calculated on the assumption that houses were operating at designated capacities.

Operating costs for the houses in the sample were as follows:

- Facility costs ranged from a low of $76 per bed year ($.21 per bed day) to a high of $1,391 per bed year ($3.81 per bed day). Median annual facility cost per bed for the entire sample was $335; the mean was $404 per bed year.

- Average (mean) annual facility cost for facilities that were rented was $455 per bed, as compared to $332 per bed for facilities which had been purchased. Average facility cost for the facilities rented by state-operated houses was $580 per bed, as compared to the sample average of $404 per bed.

- Other operating costs exhibited significant variation as well. Average daily operating costs, excluding facility costs, ranged from $4.77 to $27.58. Median daily operating cost of houses in the sample was $13.33; mean daily operating cost was $13.55.

There were four principal sources of cost variation among houses in the sample. The first was differences in services provided. All the houses in the sample provided shelter, supervision (including custodial), and group counseling services. Most houses provided food services; others, however, contracted out for meals, issued meal vouchers, or had clients provide for themselves. Most houses provided financial management, and basic individual, and employment counseling as well. With regard to other services, including education, vocational training, and individual psychological training--some houses provided them in-house; other houses referred clients out to other agencies or institutions; and many did neither.

Differences in services provided affected personnel costs the most. On the average, personnel costs accounted for well over 50 percent of total operating costs. Average daily personnel costs ranged from $2.27 per client to $21.31 per client. Median average daily personnel cost per client was $8.67; the mean was $9.56.

The second source of cost variation was inter-regional price variation. For houses in the sample, salaries for the director position ranged from $10,000 to $19,610. Salaries for the assistant director position ranged from $9,000 to $16,490. Salaries for full-time counselor/job developer/community resource developer/correctional officer positions ranged from $5,573 to $15,509. Such wide variation was consistent with salary variation for similar positions (specifically, probation officers), documented in State Salary Survey, August 1, 1973, published by the U.S. Civil Service Commission.

Facility price variation occurred on two levels. Facility prices were generally higher in states in the coastal regions (Northeast, Middle Atlantic, and Pacific regions) than in states located in the interior. More importantly, within individual cities facility prices were generally significantly higher in stable neighborhoods (for example, suburbs) than in unstable (for example, inner city) neighborhoods.

Other price factors varied as well. Utility prices varied by as much as 50 percent among different states. Food prices were found to be approximately nine percent higher in metropolitan areas than in non-metropolitan areas; among metropolitan areas, the food price differentials amounted to ten percent.

The third source of cost variation was availability of resources. Resources were of three types:

- Public financial resources, which included block funds from LEAA, HEW or State Planning Agencies (SPA) grants, and contracts with the Federal Bureau of Prisons and Division of Probation, state departments of corrections and probation and parole authorities (for the houses operated by state departments of corrections, of course, some resources were internal);

- Private financial resources, which included funding from sources outside the criminal justice system such as private agencies and individuals, and client payments for room and board; and

- Non-financial resources, which included community resources which provided free or reduced cost services to clients of halfway houses. Such resources included doctors, lawyers, dentists, repairmen and volunteers of all types.

Houses funded primarily by public financial resources were in effect being subsidized by federal, state and/or local governments, and this subsidy had both price and quantity effects, especially for personnel costs. Houses which had strong public resources, which included the houses operated by state departments of corrections, the houses operated by private agencies or foundations, and several of the single houses funded primarily by LEAA, generally had more and higher salaried personnel than their privately funded counterparts. Houses serving exclusively work releasees will generally have larger absolute expenditures than houses serving primarily clients under other sentencing dispositions, since they are the houses most likely to have strong public financial resources, especially contracts with the Federal Bureau of Prisons and the state departments of corrections.

The fourth source of cost variation was economies of scale and factor indivisibilities. While the existence of economies of scale could not be affirmed by sample data, certain fixed costs, principally facility costs and the salary and fringe benefit costs associated with director and assistant director positions, were found to affect average costs over two ranges of "number of clients served"--12 to 18 and 22 to 28. Average costs were lower at the upper end of each range than at the lower end.

Criminal justice system cost estimates in the form of sample budgets for four houses providing different sets of in-house services were derived. The following are average cost estimates associated with each of these four sample budgets:

TYPE(S) OF SERVICES PROVIDED BY HOUSE	HIGH AVERAGE		LOW AVERAGE		MEAN	
	Annual	Daily	Annual	Daily	Annual	Daily
Basic In-House Services	$7,347	$20.13	$4,598	$12.60	$5,973	$16.36
Basic In-House Services and Community Resource Referral	$8,123	$22.26	$5,174	$14.18	$6,649	$18.22
Basic Services and Community Resource Referral Utilizing Volunteers	$7,167	$19.63	$4,599	$12.60	$5,883	$16.12
Comprehensive In-House Services	$9,773	$26.77	$6,325	$17.33	$8,049	$22.05

These estimates compared with a $7,041 per inmate year ($19.29 per inmate day) jail cost estimate for calendar 1974 prepared for another Standards and Goals Project report on institutional-based programs. The average (mean) estimates for houses providing the first three combinations of services lie below that figure; the estimate for a house providing comprehensive in-house services is substantially higher.

There are three other types of criminal justice system costs:

- Indirect costs. These were discussed, but the Project did not attempt to estimate them.

- Costs of apprehending and/or prosecuting clients who abscond or commit new crimes during residence. Average cost of police patrol time involved in apprehension, including departmental indirect costs, was estimated to be $9.44 per hour. Prosecution costs were estimated to be $21.58 per hour for a district magistrate, $16.38 per hour for a prosecutor, and $19.32 per hour for a public defender.

- Costs of other criminal justice activities providing services to clients of halfway houses. The average cost per client year of one such program, TASC, was estimated to be $1,331 ($3.65 per client day) for low budget activities and $1,643 ($4.50 per client day) for higher budgeted activities. Other such costs were briefly discussed.

Other Costs

As the Corrections Report recommends greater referral of clients to services provided by community resources, much of the added cost of implementing the Standards can be expected to be external. External costs for the major services to which clients may be referred were estimated as shown in the table below:

Type of Service	Average Cost
Education (four year public college)	$541/client year
Vocational training (trade/technical school)	$900/client year
Drug treatment	$1,728/client year - $6,254/client year
Detoxification	$15.84/client day - $171.55/client day
Mental Health	$30.86/client day - $72.80/client day

Two other types of external costs which exist but for which no estimates were derived are external costs of leisure services provided to clients and external costs associated with volunteers.

It is also important to consider two other, largely unquantifiable types of costs of halfway houses: opportunity costs incurred by clients and costs to the community in which a house is located. Two opportunity costs to clients are particularly important: those associated with employment opportunities and leisure opportunities foregone as a result of halfway house limitations on client mobility. Tradeoffs exist between these two opportunity costs and criminal justice system costs, such as facility costs (which are a function of location, among other variables). The better a neighborhood is, in terms of proximity to employment and leisure resources, the lower these opportunity costs are for halfway house clients.

There are three types of alleged costs to the community in which a house is located:

(1) The tax loss associated with property operated by non-profit or governmental agencies,

(2) A decline in property values in the neighborhood in which a house is located, and

(3) The cost of new crimes committed by clients of a house.

The first type of cost is present, but is virtually negligible either in comparison to community taxes as a whole, or when divided by total residents. Regarding the second, while no comprehensive analysis of the effect of halway house location on neighborhood property values has been undertaken, previous analyses on an individual house basis, collected as a part of this research effort, all concluded that no discernible decline in property values had occurred. Regarding costs of new crimes committed by clients of halfway houses, the very limited data that have been collected to data have affirmed that clients of halfway houses do commit additional crimes, but that the arrest rates for clients of halfway houses did not exceed that of the general population (of this country) as a whole.

THE BENEFIT SIDE

While the focus of this analysis has been on costs of halfway houses, any economic analysis is incomplete without at least considering benefits as well. Accordingly, the benefit side of halfway houses was considered briefly from an economic perspective.

Benefits were considered from both a macroeconomic (considering halfway houses as comprising a sub-industry within the corrections industry) and a microeconomic (on an individual house level) viewpoint. How different policies and procedures of houses may serve to generate or restrict benefits to clients and to society was considered. The discussion of benefits concluded by considering how implementation of the Standards of the Corrections Report would affect current policies and procedures, and therefore affect total benefits to clients and society:

(1) Halfway houses would be included as part of a state and/or local long range master plan. Individual houses would conform to state and local standards. Other state and local correctional activities would also be included in the plan, so as to optimize the allocation of correctional resources among all correctional activities.

(2) The role of halfway houses as a direct sentencing alternative would be expanded. This would result in a greater percentage of clients assigned directly to houses by the courts and, in conjunction with the Report theme of minimum penetration, result in a wider mix of clients in terms of age, type of offense, and number of previous convictions.

(3) The production-distribution role of houses would be lessened, by emphasizing referral of clients to services provided by community resources rather than provision of those services in-house, and by both increasing the number of clients sentenced directly by the courts and restricting the power of administrators of houses to turn down prospective clients referred by other correctional activities.

DIRECTIONS FOR ADDITIONAL RESEARCH

This report has described a comprehensive analysis of halfway houses. This analysis, however, has not been able to analyze in depth all cost-affecting or cost-related variables. Cost-affecting or cost-related areas in which additional research is needed include:

(1) Facility Costs

- What are the short and long run facility cost differentials between renting and buying?
- What is the most efficient facility design?
- What is the most efficient facility size per client for a house with a capacity of, for example, 30?

(2) Other Operating Costs

- What are the most efficient combinations of staff?
- What are the most efficient combinations of non-personnel inputs?

(3) Sources of Variation

- What are the most efficient combinations of inputs to provide different services?
- What is the extent of interregional price variation?
- What is the relationship between type and level of funding and operating costs? Is there an inflationary effect when federal funding is assumed?
- Are there economies of scale? What is the most efficient scale of operation?

(4) Other Criminal Justice System Costs

- What is the extent of indirect costs? What is the most efficient administrative design?
- What is the aggregate of police and court costs of apprehending and prosecuting clients who abscond?

(5) External Costs

- What are the most efficient methods of distributing resources provided by agents external to the criminal justice system?

(6) Opportunity Costs to Clients

- What are the best available methods for measuring opportunity costs?
- What are aggregate opportunity costs to clients?
- What are the trade-offs between opportunity costs to clients and criminal justice system costs?
- How can opportunity costs be minimized?

(7) Costs to the Community

- What are the aggregate costs to the community?
- Should individuals who incur these costs be compensated? How?
- What are the trade-offs between costs to the community and other costs?
- How can these costs be minimized?

Chapter IV briefly discussed the output/benefit side of halfway houses and some of the implications of certain policies and procedures commonly employed by halfway houses. Chapter IV was only a limited overview--what is needed are thorough research efforts in all benefit-related areas, to answer questions such as the following:

(1) What are the output/benefit effects of different goals and policies of halfway houses?

(2) What are the best available methods for measuring societal benefits?

- What constitutes a "success"?

(3) What are the output/benefit effects of different combinations of services to be provided in-house?

- To what extent should custodial services be provided?
- What affect do different types of staff have on output/benefits?

(4) Which types of clients benefit most from services provided in a halfway house setting? (Alternatively, which type of client, when served, yields the most societal benefits?)

- What are the benefit effects of different client sizes per house?

- How should clients be screened and/or evaluated?

(5) Which average length of residence yields the most benefits?

For decision-making purposes, the most useful analyses are those which combine cost analysis and output/benefit analysis to determine exactly how they relate to one another. There are two such types of analysis: cost/benefit analysis and cost/effectiveness analysis. Both attempt to relate costs of programs to performance. Cost/benefit and cost/effectiveness analysis are most valuable because, rather than determining which are the least costly alternatives or which alternatives yield the most societal benefits, they determine which alternatives produce the highest net benefits (relative or absolute) or which alternatives are most cost/effective. Because non-monetary criteria are employed in measuring output/benefits, cost/effectiveness in particular lends itself to an interdisciplinary effort, including other social scientists in addition to economists.

Cost/benefit or cost/effectiveness analysis would be applicable to most of the research questions previously identified. Such analysis would be particularly valuable in answering the following two large-scale questions:

- What is the optimal number of halfway houses on different levels (local, state, and national)?

- What is the optimal level of regulation in the halfway house (sub) industry?

APPENDIX A

A-1 Typology of Costs

A-2 Sample Selection and Use

A-3 Data Sources

A-4 Rental Equivalent Estimation Process

A-5 Methodological Note on the Derivation of Sample and Model Budgets Used In Standards and Goals Project Reports

A-6 Sources and Components for Estimates of External Costs Associated With Drug Diversion Referrals (Table 14)

A-7 Sample Budget for Annual Criminal Justice Expenditures for an Operational Drug Diversion Activity

APPENDIX A-1

TYPOLOGY OF COSTS

Administrators and planners, in satisfying the demands of the annual budgetary process, are frequently forces to consider and to justify their programs in terms of their own budgetary costs alone. Therefore the following types of costs are often neglected in budgetary debate and program analysis:

- The costs of goods and services from actors outside the agency whose budget is being considered. (Example: Such actors may include individuals as well as private or governmental agencies. Specific examples of measures of the value of their goods and services are: the cost of donated facilities and equipment for a halfway house, the value [imputed cost] of volunteer labor in a probation department, or the value to a bail agency of legal aid or public defender consultation.)

- Full costs of support or administrative activities which, though they do not benefit a "clientele" directly, are necessary to provision of direct services. (Example: The accounting department for a corrections agency has no direct relation to a person on probation, yet it manages the accounts for all probation activities. Likewise, the manager of the accounting department may never prepare data on probation activities, yet is accountable for the work of those who do.)

- Costs incurred by individuals as a result of their participation (whether voluntary or involuntary) in a given activity. (Example: if one partcipates in a diversion activity, he or she may be losing the right to a speedy trial. It is assumed that this loss will have a value to the individual, and in this sense represent a "cost" of the diversion activity.)

- Costs incurred by society as a result of a given action or inaction. (Example: Incarcerating people suspected of a crime has been assumed to reduce the risk of danger to society. If society chooses to place some individual in halfway houses rather than in institutions, it presumably agrees to assume a greater risk of crime. The expected value associated with this risk represents a cost to society.)

In the budgetary process of criminal justice agencies, it may not be possible to consider all these costs routinely, but they are within the proper purview of economic analysis. Ideally, familiarity with them could open budgetary debate to consideration of the full range of program costs.

For the Standards and Goals Project's reports, the kinds of costs described above have been incorporated into a cost typology which can be used for analyzing the resource implications of all criminal justice activities. Types of costs within this typology are described and compared in the paragraphs which follow. For the Project's program reports, only costs incurred by the particular activity being studied (in this report, halfway houses) are analyzed in detail.[1]

CRIMINAL JUSTICE SYSTEM COSTS

Criminal justice systems costs include direct outlays for, or the imputed value of, goods and services by:

- Law enforcement agencies
- Courts
- Legal services agencies, bureaus or firms
- Other agencies, organizations or individuals whose stated mission could not be carried out if there were no crime
- Activities of organizational units or individuals financed by any of the above

The criminal justice system thus is defined to comprise the activities and agencies listed above.

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[1]There is brief discussion of the types and magnitude of costs averted by undertaking a particular activity (for example, the trial costs that are averted if a person successfully completes a formal pretrial diversion activity) in some of the Project's program reports and the summary report covering the entire Project.

Criminal justice system costs may be further subdivided in the following way:

- Public expenditures--direct outlays for, or the imputed value of, goods and services provided or financed by governmental agencies or units.[1]

- Private expenditures--direct outlays for, or the imputed value of, goods and services provided or financed by non-governmental agencies or units.[1]

EXTERNAL COSTS

External costs include direct outlays for, or the imputed value of, goods and services provided by all agencies, organizations or individuals external to the criminal justice system.[2] External costs, like the previous classification, may be further subdivided into:

- Public Expenditures--direct outlays for, or the imputed value of, goods and services provided or financed by governmental agencies or units.[3] For example, these would include: welfare, health, and mental health departments of facilities; employment and training programs, public schools and departments of education.

- Private Expenditures--direct outlays for, or the imputed value of, goods and services provided or financed by non-governmental agencies or units.[3] For example, these might include: private employment agencies or day care centers, private mental health practitioners (not paid under government contract).

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[1]There will be cases in which goods or services are financed through governmental as well as private sources. The ratio of such financing would determine whether they were classified as "private" or "public" expenditures.

[2]The "criminal justice system" is defined to include the agencies or individuals listed under "criminal justice system costs" above.

[3]There will be cases in which goods or services are financed through governmental as well as private sources. The ratio of such financing would determine whether they were classified as "private" or "public" expenditures.

This cost analysis of halfway houses will be concerned only with those external costs that are associated with a particular house or with halfway houses as a whole. For example, though the analysis is not concerned with all of the costs of providing educational services to adults, it is concerned with the costs of providing educational services to adults who are clients of halfway houses.

DIRECT AND INDIRECT COSTS

The following types of costs apply to all the categories above (criminal justice and external costs) when a specific activity (for example, a halfway house, citation, summons, diversion) is assessed. Direct costs include personnel and other expenditures associated with the provision of services to clients by a specific service-producing activity; in this report, service producing activity is a halfway house. For example, the salary of a house counselor serving individual clients within a house would be considered a direct cost of a halfway house program. Likewise, food, rent, utilities, telephone and other non-personnel operating costs would be considered direct costs.

Services may be provided directly to the activity's clients by the activity itself (the halfway house) or by other agencies (both within and outside of the criminal justice system). Costs associated with services provided by other agencies within the criminal justice system are still considered direct client costs. If such services are provided by other agencies outside the criminal justice system, then those costs, while still direct since the agencies are serving a client of the activity being analyzed, are external direct costs.

Where direct costs of halfway houses are not immediately identifiable, such as in the case where personnel of other criminal justice agencies provide services to clients of a particular house, estimates must be made on a percentage time basis. For example, consider a halfway house serving exclusively probationers, and assume that some of the counseling and referral services are being provided to clients of the house by officers of the probation department. In order to determine the total criminal justice system costs of the halfway house, in addition to the costs associated with the provision of services by the house must be added to the estimate of the cost associated with the provision of services by probation officers. If it is determined that probation officers spend 15 percent of their time providing services to halfway house clients, then 15 percent of their salaries and fringe benefits must be included as a portion of the costs of that house. That is, that amount of salary and fringe benefits would be a direct cost of the halfway house. (The administrative cost absorbed by a probation department or state department of corrections in referring and then monitoring the progress of clients through the same halfway house would be an indirect cost and therefore not included in the Project's criminal justice system cost estimates, as explained below.)

Costs which cannot be attributed to a specific service-producing activity, such as a halfway house, but which are known to be associated in part with that activity, are defined to be indirect costs. Indirect costs, therefore, include:

(1) Costs of administering or monitoring clients of halfway houses which are associated with an agency or organization other than the halfway house;

(2) Costs which are expended or charged to another agency or organization (except those of other criminal justice agencies noted under direct costs above).

Only direct costs have been analyzed in the Standards and Goals Project's reports for relatively self-contained activities, such as correctional institutions, most halfway houses (except those which are a part of a group administered by a single private agency) and diversion projects. Indirect costs associated with general administrative services, which are provided by state or local correctional agencies or other state or local government personnel, are assumed to be associated with general administration of correctional programs and not specific correctional activities.

The complexities of estimating indirect costs associated with particular diversion activities make it impossible for the Standards and Goals Project to include allowances for indirect costs in all of the Project's cost estimates. However, administrative costs associated with a group of houses administered by a single private agency, considered to be part of the normal costs of operation (administrative functions normally performed by the directors and assistant directors of single houses) are included in the cost analysis (as private indirect costs).

OPPORTUNITY COSTS

In addition to criminal justice system and external costs described above, another type of cost is considered in this cost analysis of halfway houses. Opportunity cost is a measure of the cost which results from the fact that when one activity is undertaken another activity must be foregone.

Opportunity cost can be viewed from the perspective of many different levels of resource aggregation, that is, there is an opportunity cost associated with:

- A single resource which could be used in different ways (such as a person who can hold different jobs);
- A set of resources which could be used in alternative correctional activities (such as $10,000 for a halfway house or non-residential probation);
- A set of resources which could be used in alternative public activities (such as government doctors for criminal justice or mental health programs);
- A set of resources which could be used in public or private activities (such as $10 million in loans to build a correctional institution or private homes).

From the perspective of a single resource which could be used in different ways, one measure of the opportunity cost of an inmate in an institution is the productivity of his labor that is foregone, or the opportunity cost of using a person to teach inmates is the teaching (or other tasks) he or she might have performed elsewhere. At the level of alternative correctional activities, the opportunity cost of using a set of resources[1] to provide services to clients of a halfway house can be thought of as being the result or product (measured in terms of the criminal justice system's objectives, such as reduced crime or integration of offenders into society) that could be obtained from using those same resources in other types of correctional activities (such as non-residential probation or parole). At other levels of resource use suggested in the list above, individual halfway houses, or all houses as a group, can be compared to other criminal justice activities, other non-criminal justice governmental activities, or non-governmental activities.[2]

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[1]Their "value" has previously been computed by the calculations of direct and indirect costs described above.

[2]As a concept which is derived from production theory and efficiency considerations, opportunity cost analysis focuses on the "alternative uses" of products from a <u>given resource</u> or set of resources. The related, but analytically distinct, concept of cost diversion, on the other hand, on the "least cost alternative" for achieving a <u>given product</u> or set of products.

In all of these comparisons, if the opportunity cost (that is the product of the activity foregone) is greater than the product of the activity undertaken, there is a loss or "cost" to society above and beyond the eight types of costs described earlier. This loss to society is a social cost to be allocated to undertaking the activity whose productivity is lower. The question of how to define and measure productivity (or even relative productivity) becomes a major problem when the analysis moves from the level of individual resources to criminal justice activities whose "products" are differentially defined as deterrance, rehabilitation and so forth, by policy-makers and analysts.

For this cost analysis of halfway houses, only the first type of opportunity cost is explored in detail. Opportunity costs associated with other levels of comparison identified above are discussed briefly in the Project's summary report.

ANALYSIS OF HALFWAY HOUSE COSTS

The typology of costs presented in this appendix serves as an introduction to analysis presented in the Standards and Goals Project's program reports, and as a guide for administrators and planners considering the full costs of existing and comtemplated halfway houses.

It is beyond the scope of this report to treat all costs of all halfway houses with the same amount of analytical and numerical precision. It will therefore focus on:

- Analyzing costs of most immediate concern to criminal justice decision-makers (primarily public expenditures of the criminal justice system);
- Signaling (and analyzing to the extent possible) other types of costs that are likely to be most significant in calculating the full costs of halfway houses;
- Analyzing differences in the costs of current activities and the types of halfway houses recommended in the Corrections Report.

APPENDIX A-2

SAMPLE SELECTION AND USE

SAMPLE SELECTION

In this research effort (as in most research efforts), it was not possible to collect data from every halfway house (element); accordingly, a sampling methodology was necessary. The first consideration was sample size. A sample of 25 to 30 elements is generally both a large enough and still manageable sample because of the evident widespread variation among halfway houses on all levels except house capacities. The larger number, 30, was adopted.

Sample selection procedures can be classified into four different types:

(1) random selection, in which selection is made in such a way as to ensure that each element has an equal probability of being selected;

(2) systematic selection, in which each element is selected;

(3) cluster selection, in which a larger unit is selected which contains several of the elements--for example selecting a particular school as the sample for studying student (national) attitudes; and

(4) deliberate selection, in which elements are selected so as to ensure that they satisfy certain criteria and/or are representative of the population as a whole.

This fourth sample selection procedure was employed because two selection criteria had been identified as necessary or important qualifications for houses in the sample. These two selection criteria were:

(1) that cost data, including expenditures or budget breakdowns, be available; and

(2) that halfway house programs be duplicable in keeping with the Standards and Goals Project's function of providing source guides for state and local administrators, planners and analysts.

In addition, as both the literature in the field and Project advisors had delineated the variation among halfway houses, it was determined that a representative sample was critical to the usefulness of the research effort. It was further determined that the sample should be representative in terms of:

(1) size (house capacities in terms of maximum number of clients served);

(2) type (state operated houses, private agencies operating more than one house, and private independent houses);

(3) services provided;

(4) location (geographical region, size of city and type of neighborhood); and

(5) types of clients served.

The optimal approach to assuring that a sample is representative is to assure that each aspect of a characteristic is associated with the same proportion of the sample as it is of the population. Such an approach is achieved through a process called stratification. This process assumes, however, that the relevant characteristics have been identified in the population, and that the proportions in which the different aspects of those characteristics occur in the population are known. Unfortunately, these proportions are not known for the population of halfway houses; the exact proportion in which these different aspects occur have never been identified.

A second best approach to constructing a representative sample is to estimate the proportions utilizing available data, and select the sample accordingly. This procedure was adopted.

Therefore, the houses comprising this sample have been selected from known halfway house programs satisfying the cost data availability and duplicability criteria, so as to provide a representative mix in terms of the five characteristics listed above, according to data contained in the literature (see Appendix B, Bibliography) and supplied by Project advisors.

SAMPLE USE

In the initial sections of the text of this report, cost statistics based on budgeted or actual expenditures by houses in the sample are used to illustrate the extensive cost variation among houses. The use of the same statistics as predictors of costs of other halfway houses is limited to estimates of line items for particular budget categories. Estimates of the cost effects of differences in services provided (expected to be the major source of cost variation) are based on specified staffing patterns and scale considerations, not solely on the cost information for houses in the sample.

Regarding the estimates of the costs of houses operating in accordance with the Corrections Standards, the report does not assume such houses will be distributed like those currently existing or in the sample. Rather, primarily houses offering only basic services and community resource management are expected, because of the guidelines established by the Standards.

APPENDIX A-3

DATA SOURCES

Talbert House, Inc.
2525 Victory Parkway
Cincinnati, Ohio 45206

(1) Telephone conversation with Mike McCart, Director; May 13, May 25, June 24 and July 16, 1975.
(2) Financial statements and supplementary information, Report of Certified Public Accountants.

Dismas House
3000 Campbell
Kansas City, Missouri 64109

(1) Telephone conversation with John Cavanaugh, Director, June 30, 1975.
(2) Letter from John Cavanaugh, July 15, 1975.

Reality House
500 Rollins
Columbia, Mo. 65201

(1) Telephone conversation with George Brown, Director, June 23, 1975.
(2) Letter from George Brown, July 21, 1975.

Morman House
P.O. Box 48
Farmington, Missouri 63640

(1) Telephone conversation with Jack Masters, Director, June 22, 1975.
(2) United States Accounting Office, "Federal Guidance Needed If Halfway Houses Are To Be a Viable Alternative to Prison," Government Printing Office, June, 1975.

Magdala Foundation
2501 North 11th St.
St. Louis, Missouri

(1) Telephone conversation with Tom Christiansen, Assistant Director May 13, June 11, June 26 and July 24, 1975.
(2) Letter from Tom Christensen, May 14, 1975.

Home of Industry for Discharged Prisoners
State Road & Penna. R.R.
Upper Darby, Pa. 19082

(1) Telephone conversation with Joseph Liberati, Director, June 25, 1975.
(2) Letter from Joseph Liberati, July 9, 1975.
(3) United States Government Accounting Office.

Community Outreach Services
P.O. Box 943
Daytona Beach, Florida 32014

(1) Telephone conversation with Phillippe G. Robert, Director, July 1, 1975.
(2) Letter from Phillippe G. Robert, July 8, 1975.

Jacksonville Adult Development Centers Project
10 South Catherine Street
Jacksonville, Florida 32202

(1) Telephone conversation with Anthony J. Parrish, Director, July 1, 1975.
(2) Letter from Anthony Parrish, July 8, 1975.
(3) Letter from Joe Schmidling, Assistant Director, July 15, 1975.

Washington Halfway House for Women
1816 19th St. N.W.
Washington, D.C.

(1) Telephone conversation with Sonia Moore, Director, June 17, 1975.
(2) Correctional Economics Center, "Community Programs for Women Offenders: Cost and Economic Considerations."

Bureau of Rehabilitation for the National Capital Area
666 11th St. N.W.
Washington, D.C.

(1) Telephone conversation with Patricia R. Nelson, Research and Program Analyst, June 18, 1975; and Edward R. Johnson, Assistant Director for residential programs, June 23, 1975.

(2) Bureau of Rehabilitation for the National Capital Area, "1974 Annual Report."

District of Columbia, Department of Corrections
(Department of Community Services)
614 H Street, N.W.
Washington, D.C.

(1) Interview with Delbert Jackson, Director, and Samuel Rosser, Director of community services, July 16, 1975.
(2) Department of Corrections budget requests.

Georgia Department of Corrections
(Offender Rehabilitation)
Trinity Washington Building
Atlanta, Georgia 30334

(1) Telephone conversation with Winfredd Ladd, Assistant Deputy, Commission of Offender Rehabilitation, June 27, 1975 and July 14, 1975.
(2) Letter and enclosed budget information from Winfredd Ladd, July 8, 1975.

Minnesota Department of Corrections
Suite 430 Metro Square Building
7th & Robert Streets
St. Paul, Minnesota 55101

(1) Telephone conversation with Jay Budge, Planning Grant Analyst, June 27 and July 7, 1975.
(2) Letter and enclosed budget information from Jay Budge, June 30, 1975.

Comm-Home House
525 West Bonneville
Pasco, Washington

(1) Telephone conversation with Keith Weaver, Deputy Administrator, Law and Justice Planning Office, Office of Community Development, June 30, 1975.
(2) Telephone conversation with Carol Winterburn, Assistant Supervisor, July 8 and July 16, 1975.

Pioneer Fellowship House
P.O. Box 24046
Seattle, Washington 98124

(1) Telephone conversation with Martin Frank, Director, June 30, 1975.
(2) Letter and enclosed budget information, July 9, 1975.

Family House
200 West Comstock
Seattle, Washington 98119

(1) Telephone conversation with Robert Garst, Director, July 16, 1975.
(2) Family House Program Evaluation, Washington Law and Planning Office, 1973.

Opportunity Center
McLennan County Adult Probation Department
Room 300 Court House Annex
Waco, Texas 76701

(1) Telephone conversation with T.G. McWilliams, Jr., Director, July 1, 1975.
(2) Letter and enclosed budget information from T.G. McWilliams, July 17, 1975.

APPENDIX A-4

RENTAL EQUIVALENT ESTIMATION PROCESS

This appendix contains a discussion and detailed presentation of the rental equivalent estimation process employed in this cost analysis.

SELECTION OF AN ESTIMATION PROCESS

Several alternative approaches to deriving rental equivalents for facilities purchased rather than rented were evaluated. Three alternative approaches survived the initial evaluation:

(1) Utilizing the annual rent for a (rented) building in the same neighborhood possessing similar characteristics;

(2) Applying a rental equivalency rate against the appraised (1974) market value of the facility;

(3) Determining the market value (1974) by adjusting a purchase price and amount of renovations utilizing a housing value index, then applying a rental equivalency rate.

The third approach was selected because it was the only approach allowing a uniform and systematic estimation of rental equivalents, given the time and resource constraints of this research effort.

Time and resources did not allow the Standards and Goals Project to carry out either the first or the second approach, and accepting each house's own estimated rental equivalent would have violated a uniformness criterion. Therefore, the third approach is the one which was employed in determining rental equivalents, and which is discussed in this appendix.

THE ESTIMATION PROCESS

Rental equivalents were calculated according to the following two-step process:

(1) The sum of purchase price plus expenditures on renovations was adjusted upward (into 1974 dollars) utilizing the index of ownership costs compiled by the Bureau of Labor Statistics (published annually in the Statistical Abstract of the United States, U.S. Department of

Commerce, Social and Economic Statistics Administration, Bureau of the Census).

The index of ownership costs was selected because it includes, by definition, home purchase, mortgage interest, taxes, insurance, and maintenance repairs.

The following formula was employed to adjust purchase price and expenditures on renovations upward:

Value of Facility in 1974 Dollars $= pa_p + ra_r$, where

p = purchase price
r = amount of renovation, and

a_p and a_r are the adjustment factors for purchase price and renovation expenditures, equal to

$$a_p = \frac{V_a - V_p}{V_p} + 1$$

$$a_r = \frac{V_a - V_r}{V_r} + 1, \text{ where}$$

V_a = index value for 1974
V_p = index value for year of purchase
V_r = index value for year of renovation expenditure.

If purchase and renovation occurred in the same year, then a_p and a_r are identical, and the formula reduces to:

$$(p + r)a, \text{ or complete, } (p + r)\left(\frac{V_a - V_p}{V_p} + 1\right).$$

The adjustment factors for the years in which facilities included in the sample were purchased are:

1964	1.7856
1965	1.7605
1967	1.6320
1968	1.5440
1969	1.4069
1970	1.2700
1971	1.2206
1972	1.649
1973	1.125
1974	1.000 .

(2) Once purchase price and renovation expenditures have been adjusted to 1974 values, the second step consists of applying a rental equivalency rate incorporating both a cost of capital factor and an allowance for a normal rate of return on capital directly invested. The annual equivalency rate employed is 12%.

Five-sixths of that rate (10%) is the estimated annual cost of capital. Annual capital cost depends on several factors; most important are interest costs and amortization periods. Borrowing costs in recent years have been in the range of 7% to 9% for most states. Adding an amortization factor and providing a small margin for uncertainty makes 10% a very reasonable cost of capital.

The other two percent represents an allowance for a non-compounded rate of return on capital invested of 8%, on the assumption that 25% of the market value of the facility has been directly invested as capital (as down payment and as payments made toward the mortgage).

To capsulize the estimation process in a single sentence: rental equivalents were calculated by first adjusting purchase price plus renovations to 1974 values, and then applying an equivalency rate of 12% to allow for both annual capital costs and a normal rate of return on capital invested.

APPENDIX A-5

METHODOLOGICAL NOTE ON THE DERIVATION OF SAMPLE AND MODEL BUDGETS USED IN STANDARDS AND GOALS PROJECT REPORTS[1]

For several different types of activities envisioned in the Standards of the Corrections Report (for example, drug and "DOL model" diversion and halfway houses), sample budgets have been derived by the Standards and Goals Project staff. A sample budget is a set of estimated criminal justice system expenditures, by line item (staff salaries by position, fringe benefits, facilities and so forth), for a type of activity suggested in the Corrections Report.

Included as criminal justice system expenditures are direct outlays for, or the imputed value of, goods and services provided by:

- Law enforcement agencies
- Courts
- Legal services, agencies, bureaus or firms
- Other agencies, organizations or individuals whose stated mission could not be carried out if there were no crime
- Activities of organizational units or individuals financed by any one of the above.

Estimates shown in a sample budget are derived from, but not necessarily identical with, budget or expenditure statistics from two or more existing activities which have characteristics similar to those advocated by the Corrections Report. Two estimates are provided for each line item--a "high average" and a "low average"--to reflect variation in the cost of approximately the same item (a staff person at a particular level [for example, a police patrolman] or 1,000 square feet of office space) for different parts of the country.

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[1]This Appendix was written by Dr. Virginia B. Wright, Research Director for the Standards and Goals Project.

Procedures and assumptions used to derive the particular values shown in the several sample budgets presented in different Standards and Goals Project reports vary, depending on the types of statistical data which are available and the number of places for which such data could be obtained within the Project's time and resource constraints. Therefore more specific procedures and assumptions used in constructing each sample budget are discussed in the text accompanying it.

For other activities envisioned in the Corrections Report, (such as a probation system which has separate procedures and personnel for providing services to the courts and probationers), there are no existing activities which approximate the recommended activity, or budget and expenditure data are so limited that it is not possible to derive a sample budget (as described above). In such cases, model budgets have been derived by the Standards and Goals Project staff. A model budget is also a set of estimated criminal justice expenditures, by line item, but it is not based on expenditure or budget estimates from existing activities. Instead, it is derived from more indirect sources, such as workload estimates for probation officers performing different kinds of services for different types of probationers, ratios of direct and indirect costs for government agencies, and so forth. As for the sample budgets, more specific procedures for deriving a particular model budget are discussed in the text which accompanies it.

APPENDIX A-6

SOURCES AND COMPONENTS FOR ESTIMATES OF EXTERNAL COSTS ASSOCIATED WITH DRUG DIVERSION REFERRALS (Table 14)

[a]Costs per client year and costs per client not necessarily comparable because they come from two sources, the first from SAODAP, the second from Booz Allen. See Source Note below. In the second source, 1973 dollars are inflated to 1974 dollars using the GNP implicit deflations for purchase of all goods and services by state and local governments

[b]Drug-Free Residential Communities are modeled after Synanon, Daytop, and Phoenix House, therapeutic communities (TC) which are communal, residential, and drug-free. They attempt behavior modification in a strict and highly structured atmosphere. The typical activity has a capacity of 30 clients. Staff includes an administrator, secretary, one in-house resident counselor and eight other counselors; personnel accounts for 63 percent of the total budget. Other budget items include psychiatric counsultants (3 hours/week @ $40/hour), 3 percent; travel for staff and clients, 2 percent; equipment, 4 percent; medical intake exams @ $75/exam, 2 percent; utilities and communications, 3 percent; rent and renovation, 7 percent; food ($2.20/client/day), 13 percent; training and lab testing services, 3 percent.

[c]The typical outpatient abstinence clinic is designed to treat 200 patients and is open seven days a week, eight hours a day, with an average of three visits per week per client. No medication will be dispensed in this unit. Because polydrug abusers attend the clinic, professional counseling is especially necessary. Staff includes an administrator, secretary, clerk typist, half-time psychiatrist, a clinical psychologist, psychiatric social worker, vocational rehabilitation specialist and six counselors. Personnel costs account for 64 percent of the total budget. Other budget items include medical consultants, 2 percent; staff and client travel, 2 percent; equipment, 2 percent; intake medical exams @ $75/exam, 10 percent; utilities and communications, 1 percent; rent, 4 percent; supplies, 3 percent; training, 1 percent; and lab services ($2.50 per urine), 13 percent.

[d]The typical day-care drug-free projects treat 40 clients and operate six days and week for 10 hours per day. It is a structured but non-residential setting geared to redirecting life, emphasising employment or education for employment. Activities include individual counseling and encounter group therapy three times a week, daily vocational readiness seminars with family therapy and individual vocational counseling as needed. Each client has a job assignment, for example,

food preparation. Enrollment in educational or job training programs or employment begins typically within 90 days. At that time, the client participates in weekly groups and individual counseling as needed until satisfactory adjustment to the community has been made. The costs of client lunches, therapy, family counseling, and educational and vocational services are included; the costs of services provided by community health and legal aid programs to which the clients may be referred are not. Staff includes an administrator, secretary, three counselors and one vocational rehabilitation specialist. Personnel costs account for 67 percent of the total budget. Other costs are medical consultants (4 hours per month), 1 percent; local travel for clients, 1 percent; equipment, 4 percent; intake medical exams which are contracted at $75 per exam, 5 percent; utilities and communications, 3 percent; rent, 6 percent; food, 8 percent; lab services, 6 percent.

[e]Range in cost is due to economies of scale. The more costly serves 100 clients; the other 300. Both centers are open seven days a week. Staffing patterns satisfy FDA regulations and shares of budget items are as follows:

300 Clients		100 Clients	
Item	Share of Budget	Item	Share of Budget
Personnel 2 administrators secretary clerk typist 1/2 time doctor 4 nurses 1/2 time vocational specialist 4 counselors	71%	2 administrators secretary clerk typist doctor 6 nurses vocational specialist 10 counselors	65%
psychiatric consultants	2%	psychiatric consultants	3%
travel	1%	travel	1%
equipment	1%	equipment	2%
medical exams	6%	medical exams	10%
communications and utilities	1%	communications and utilities	1%
rent	4%	rent	3%
supplies	3%	supplies	3%
training and lab services	11%	training and lab services	11%

[f]Residential methadone maintenance, unlike the drug-free community is geared for fairly rapid turnover; after an average of five weeks the client is to back in the community while continuing in an outpatient methadone maintenance clinic.

The typical residential program is designed for 48 clients. It operates seven days a week, 24 hours a day and provides detoxification, maintenance, individual and group therapy, family counseling and vocational services on site. Each client has a job assignment, for example, housekeeping. Emergency medical services are available, but the initial physical exam will be contracted out at $75 per exam. Needed legal services are referred to a community legal aid agency and are not covered in this budget. Within a month to six weeks of employment, each maintenance client returns to the community to live and receives methadone from the clinic as an outpatient. The staff includes an administrator, secretary, two nurses, one full-time, the other one day a week, three counselors, and one vocational specialist. Personnel costs account for 59 percent of the budget. Additional items are as follows: 4 hours per week for medical consultants, 2 percent; travel and training, 1 percent; equipment, 5 percent; medical exams @ $75 each, 2 percent; utilities and communications, 3 percent; rent and renovation, 9 percent; lab services, 3 percent; food @ $2.20/client/day, 16 percent.

[g]As defined in footnote[b] above and similar to it in the structure of the budget. Based upon survey of drug-free residential communities in Baltimore, Charleston, Chicago, Gary, Watts (Los Angeles), Miami, New Orleans, San Fransisco and South Alameda County, California.

[h]As defined above in footnote[c] above and similar to it in budget structure. Based on survey of outpatient abstinence clinics in cities listed in footnote[g] above.

[i]As defined in footnote[e] above and most similar to budget structure of center for 300 clients. Based upon survey of outpatient methadone centers listed in footnote[g] above.

APPENDIX A-7

Sample Budget of Annual Criminal Justice
Expenditures for an Operational Drug Diversion Activity[a]

ITEM	AMOUNT (1974 DOLLARS) AVERAGE LOW	AVERAGE HIGH	PERCENT OF TOTAL COSTS[d]
PERSONNEL SERVICES			
Wages and Salaries			
Administrative Unit:			
Project Director	$ 17,600	$ 22,100	13.6%
Deputy Director	9,800	14,100	
Administrative Assistant/Bookkeeper	8,800	13,700	
Secretary	6,800	7,900	
Intake and Diagnostic Unit			
Clinical Psychiatrist	17,600	27,300	14.1
Social Worker	8,400	11,300	
Counselor	9,200	16,200	
Secretary	6,800	7,900	
Screening Unit			
Supervisor	10,200	11,300	16.7
Interviewers (3 @ $8,300 and 9,400)	33,200	37,600	
Lab Technician	6,500	9,800	
Escort	7,300	8,200	
Court Liaison Unit (2 @ $8,800 and 9,800)	17,600	19,600	5.0
Tracking Unit			
Supervisor of Evaluation	11,200	11,600	19.2
Case Managers (4 @ $9,300 and 9,600)	37,200	38,400	
Statistical Clerk	7,300	8,400	
Records Clerk	6,300	7,400	
Secretary	6,800	7,900	
Total Wages and Salaries	228,600	280,700	(68.7)
Fringe Benefits	34,290	42,105	10.3
TOTAL PERSONNEL SERVICES	$262,890	$322,805	(79.0)%
OTHER DIRECT COSTS			
Travel	$ 11,000	$ 13,500	3.3 %
Equipment	1,300	1,600	0.4
Supplies	5,700	6,900	1.7
Duplication Services	2,300	2,900	0.7
Rent, Utilities and Maintenance	14,300	17,600	4.3
Communications	3,300	4,100	1.0
Urinanalyses (5,000 @ $2.75 and $3.00)	13,750	15,000	3.9
Miscellaneous	18,200	24,200	5.7
TOTAL OTHER DIRECT COSTS	$ 69,850	$ 85,800	(21.0)%
TOTAL ANNUAL CRIMINAL JUSTICE EXPENDITURES	$332,740	$408,605	100.0%
AVERAGE COST			
Per Client Year (250 per Year)[b]	$ 1,331	$ 1,643	
Per Client Referral (500 per Year)[b]	$ 665	$ 817	
Per "Successfully" Terminated Client (350 per Year)[c]	$ 951	$ 1,167	

Footnotes are on the following page.

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[a]This budget includes only those costs of a drug diversion activity which are borne by the criminal justice system. Excluded are the costs of services typically borne outside the criminal justice system, such as drug treatment. These services to which clients are referred are considered as external costs. Also excluded from the above budget are opportunity costs of diversion, including the individual client's loss of the right to a speedy trial and any potential risk to society of increased crime committed by diversion clients.

[b]The average cost per year is derived by dividing the total criminal justice expenditure by 250, the number of "client slots" available in the sample drug diversion activity. The "design capacity" and the "actual total clients served" of drug diversion activities are assumed to be identical, based on statistics for operational TASC activities. (For DOL-type diversion, actual total clients served and design capacity are estimated at different levels, based on statistics for operational activities.) In this sample drug diversion activity, the typical client tenure is six months. Thus the total number of clients (500) served during the typical year is estimated at twice the number of client slots.

[c]"Successful termination" is defined as meeting the court requirements for successful participation in drug diversion and treatment, with the result that charges against a client are dropped (or at least the penalty is reduced).

APPENDIX B

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