



MULTNOMAH COUNTY LOCKS UP COST ANALYSIS

Corrections Division maximizes resources, enhances public safety with SAS®

Industry

Government

Business Issue

Discover new ways to maximize shrinking resources in the midst of a county budget crisis.

Solution

SAS® Activity-Based Management.

Benefits

Using SAS®, corrections analysts have developed a plan to help fund operations at a new county jail.

For many years, the Multnomah County Sheriff's Department in Oregon has used a standard cost-per-bed formula to forecast budgets for its Corrections Division. Estimating a daily cost of \$115 per bed, administrators could roughly calculate operational expenses for the county's four correctional facilities. Recently, however, strict budget cuts have forced the Sheriff's Department to scrutinize its financial planning process.

Thanks to SAS Activity-Based Management, corrections officials can now identify and understand incarceration costs more accurately than ever before, and administrators can effectively convey the complexity of those costs to county and public stakeholders. Department officials also are discovering new ways to maximize shrinking resources in the midst of a county budget crisis.

Larry Aab, Director of Business Services, describes the mounting problems that confront Multnomah County: "Today, jail bed closures are becoming more frequent, which means we're steadily releasing more offenders back into the community." With construction nearly complete on the county's new \$58 million, 525-bed jail, county residents had hoped for some relief, but the Sheriff's Department lacks the funds needed to operate the facility.

Using SAS to develop an activity-based costing (ABC) model that deconstructs all division expenses, Aab and Senior Research Evaluation Analyst Dave Braaksma have begun to unravel the cost-per-bed formula and to understand what it might take to open the new facility.

Accurate cost measurements

With activity-based costing, Aab and Braaksma quickly realized that the \$115-per-bed figure oversimplified the division's costs. Intuitively, they always knew the cost of housing a prisoner in the general population was far different from that of housing an offender in the jail's segregation unit, for example. In addition, prisoners with mental illnesses or drug addictions require more resources during incarceration. Now administrators can evaluate those disparities and demonstrate their effects on public policy.

"Before using ABC, we were never able to articulate these issues to our managers and our board of county commissioners," says Braaksma. "SAS gives us that opportunity, so everyone can get a better understanding of what it actually costs to house a particular type of inmate."

Here's how it plays out mathematically: Using the \$115 rate per bed, a budget cut of \$2 million translates roughly into a cut of 48 beds. The beds that get cut, however, are always those for the least serious offenders, or those who require fewer resources. After evaluating the specific activities that support these particular offenders and redistributing the fixed costs, Aab and Braaksma discovered that the actual daily savings for cutting general population beds amounts to a mere \$70 per bed.

Indeed, the division cut nearly 100 beds in late 2003 to support \$2 million of the county's \$16.7 million budget shortfall. As a result, more than 700 prisoners

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were granted early releases in the first three months of 2004 alone. An additional budget cut of \$3 million, proposed for mid-2004, could result in a loss of 250 more beds.

With the help of SAS, Multnomah County Sheriff Bernie Giusto has devised a plan that could help solve the problem. He hopes to partner with the Oregon Corrections Department to house state prisoners originally sentenced to prison from Multnomah County for the last year of their sentences. Essentially, Multnomah County would rent some of the beds in its new jail to the state. State funds would pay for the bulk of the jail's fixed expenses, which would lower the cost per prisoner for the remaining beds in the new facility.

Money-saving opportunities

In addition to evaluating activity costs for each type of inmate, Braaksma and Aab also are looking at the expenses associated with every step in the county's booking system. Their analysis will show decision makers how costs escalate as prisoners move through the system, revealing steps in the booking process that might be combined or changed to save money. Shifting the medical evaluation to a point later in the process, for exam-

ple, could decrease the number of prisoners evaluated and save the county thousands of dollars, since many inmates are released or transferred before ever being assigned housing in the jails.

SAS also will be used to evaluate the activity costs for each corrections unit, including the laundry, dining and medical facilities. Unit managers will rely on this information to better articulate budgetary needs and to show how their unit contributes to the agency's overall mission to improve public safety.

Finally, SAS Activity-Based Management supports what-if analyses, allowing decision makers to simulate real-life scenarios and understand the long-term impact of any potential change. This feature could predict the budgetary impacts that would result from increasing or decreasing the number of state prisoners in the new jail.

Cost-efficient strategies

Aab and Braaksma both praise the robust features of SAS Activity-Based Management. In particular, they like the solution's ability to access data automatically from SAP R/3 software. “Finding a solution that would

integrate easily with our existing systems was the overriding issue for me,” says Aab. “Since most of our data is in SAP, the ability to feed that information automatically into our models saves us a lot of time.”

In the long run, Aab says activity-based costing could affect the cost structure of the entire agency and change the way corrections systems are evaluated throughout the country. “Activity-based costing gives us a better understanding of how to obtain funds for services and how to transition offenders back into the community in a successful way,” he says.

Most importantly, SAS reveals how to use state and county resources more efficiently. “With SAS, we’re able to make management decisions not only on how to budget our resources, but also to determine which areas of the system will be impacted by those decisions,” says Aab. “Now we can communicate the effects of any change to our stakeholders, and we can determine the best way to provide cost-efficient services based on the needs of the community and the priority of our stakeholders.”



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