

General Services Administration

Continental United States PER DIEM Methodologies

Who sets per diem rates?

When are per diem rates set?

How long are the per diem rates in effect?

The General Services Administration (GSA) establishes travel per diem for all federal employees and federal travelers seeking lodging in the Continental United States. Per diem travel rates are set each October 1 and remain fixed for the subsequent 12-month period.

How does the United States Army use the GSA per diem rates?

The Department of the Army has no role in setting per diem rates. The Army is not required to charge the GSA per diem rate as its room rate. Roughly, Army installations charge a room rate equal 50% of GSA per diem. Privatized hotels operated by an Army-Developer-Hotel partnership will charge roughly 75% of the GSA per diem. Because the room rate is tied to the GSA per diem, it is important that everyone understands the GSA methodologies that calculate those rates.

Method One: Telephone Surveys

Historically, the GSA calculated federal Continental United States (CONUS) per diem rates based upon telephone surveys. The GSA hired a contractor who in turn randomly called selected hotels that were Federal Emergency Management Agency (FEMA) approved. [A legal requirement restricts the GSA to samples only from FEMA registered properties]. Ideally, but not necessarily, these properties had a two-star or a three-star rating from either the American Automobile Association or the Mobil Travel Guide books. The survey asked properties for [1] their current government rate and [2] what would be a more appropriate government rate? To help with accuracy, the contractor spoke only to a property's General Manager or Director of Sales. However even with these precautions, the telephone survey was highly inaccurate and did not reflect what was happening in the marketplace.

Per Diem Advisory Board

To resolve the inaccuracy issue, a Government-wide Per Diem Advisory Board was convened. This board was comprised of Government travel experts, including two from Department of Defense's (DOD's) Per Diem, Travel, and Transportation Allowance Committee. The Board also included representatives from the lodging industry. The Board reviewed the per diem setting process and made recommendations on how to improve it. The final report was published in July of 2003.

The primary recommendation was to abandon the practice of telephone surveys. GSA accepted this idea. To replace the telephone survey, the board recommended gathering average daily rate (ADR) data from an accepted industry research firm. For both the quality and the quantity of data, the board chose Smith Travel Research (STR). STR is a private, independent lodging research firm and a recognized leader in lodging industry research. Information on STR can be found at www.str-online.com. GSA is also considering other hotel industry data providers such as Travel-Click.

Method Two: STR methodology and the 2004 GSA per diem rates

The 2004 per diem rates were set using the STR methodology. The geographic areas conform to counties or other logical, pre-determined GSA market delineations. For each area, the ADRs of comparable hotels – upper upscale, upscale, mid-price, economy, and budget - are calculated. 2004 GSA per diem rates used the STR ADRs from the top three hotel classifications. In 2004, the data set included both FEMA and non-FEMA registered properties. In the future, non-FEMA registered hotels will be removed from the calculation.

How is the per diem rate actually calculated?

For a specific area you multiply 95% times the STR ADR from the top three hotel classifications. This 5% discount is based on a mutual agreement between the GSA and the Office of Management and Budget. It reflects the discount the Federal Government should receive as a large volume purchaser of rooms. For example the ADR derived from a STR report was \$100 for Saratoga Springs, New York. The per diem for that city is therefore \$95.

What if there aren't enough hotels in an area to generate a STR report for that area?

What is the STANDARD CONUS rate?

How do we calculate the STANDARD CONUS rate?

In approximately 75% of the unique areas, the GSA was unable to generate STR reports because there were an insufficient number of qualified, comparable hotels reporting rates in that area. In these instances, the GSA uses the telephone surveys of FEMA approved properties to obtain rate information. For locations not granted their own unique per diem rate, there exists a standard CONUS room rate used in "all places not listed" by the GSA. The rate is set every three years and will be re-evaluated for the upcoming 2005 fiscal year. The standard CONUS rate for fiscal year 2004 is \$55.

What are the per diem rates for Group A?

What were the 2004 per diem methods for Group A?

For the eight installations in Group A, the following per diem rates and methods apply.

<i>Installation</i>	<i>per diem</i>	<i>Method</i>
Fort Sam Houston	\$91	FPLP*
Redstone Arsenal	\$67	FPLP
Fort Hood	\$62	Unique Market (STR and/or Survey)
Fort Riley	\$55	Standard CONUS
Fort Rucker	\$55	Standard CONUS
Fort Sill	\$55	Standard CONUS
Fort Polk	\$55	Standard CONUS
Fort Leavenworth	\$55	Standard CONUS

To look-up the current per diem for an army installation please visit:

<http://www.dtic.mil/perdiem/pdrates.html#Complete>

*FPLP is explained below

A note on FEMA hotels

A list of FEMA certified hotels is found at <http://www.usfa.fema.gov/applications/hotel/> FEMA hotels were established 'to save lives' in response to devastating hotel fires in Atlanta and Las Vegas. The FEMA hotel list insures that the registered hotels have appropriate fire protection equipment installed.

What is the FPLP?

The FPLP is the Federal Premier Lodging Program. The per diem methodology in the top 95 federal travel destinations is influenced by recently awarded FPLP contracts.

In some areas, the GSA contracts directly with hotels. Each hotel agrees to reserve 5,000 room nights annually for federal travelers. These hotels give “first consideration” to a Federal traveler. The FPLP is not mandatory for the federal traveler, but it is a service that is available.

In a FPLP area, the STR ADR is calculated and serves as a benchmark for the contracted FPLP room rates. In FPLP areas, the per diem rate is the highest room rate at FPLP contracted hotels. For example, if the FPLP program awarded contracts to three area hotels for room rates of \$81, \$83, and \$85 respectively, the highest room rate, \$85, would become the new per diem. It is important to note that the rate of \$85 represents a discount from what the GSA methodology would otherwise determine.

The majority of FPLP contracts went into effect in late 2002 and throughout 2003. As soon as the FPLP contracts were awarded, the new per diem rates went into effect. For more information on the FPLP program, including a list of participating hotels, visit: <http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/plp/plphp.html>

Method Future: STR methodology and the 2004 GSA per diem rates

For the upcoming 2005 GSA per diem rates, GSA will require STR to remove all non-FEMA registered hotels from the STR ADR calculation. Many hotels, although compliant with FEMA regulations, remain unregistered on the FEMA master list. This is unfortunate. The FEMA self-certification process is easy, and some argue that despite a hotel’s registration status, its ADR should be included in the calculation of the area’s ADR. However, GSA is legally prevented from using data from non-FEMA hotels.

How do you request a rate review?

Federal agencies may submit a request to GSA for review of the costs covered by per diem in a particular area where the standard CONUS rate applies when travel to that location is repetitive or on a continuing basis and travelers’ experiences indicate that the prescribed rate is inadequate. On an annual basis, GSA reviews all nonstandard CONUS areas. The purpose of the review is to determine if rates are adequate. Agencies designate an individual responsible for reviewing, coordinating, and submitting to GSA any request for per diem rate adjustment. These requests are forwarded no later than February 27, 20XX to the General Services Administration, Office of Government-wide Policy, Attention: Travel Management Policy (MTT), Room G-219 Washington D.C, 20405. Requests for rate adjustments shall include an area designation, a description of the surrounding location involved (county or other defined area), and a recommended rate supported by a statement explaining the circumstances that cause the existing rate to be inadequate. The request also must contain an estimate of the annual number of trips to

the location, the average duration of such trips, and the primary purpose of travel to the location.

How do I find out more information on the rate setting process?

For more information on the GSA and the per diem rate setting process please visit:

http://www.gsa.gov/Portal/gsa/ep/contentView.do?programId=9374&channelId=-13249&oid=9996&contentId=12834&pageTypeId=8199&contentType=GSA_BASIC&programPage=%2Fep%2Fprogram%2FgsaBasic.jsp&P=MTT

This paper reflects our understanding of the kind guidance of individuals in the GSA. None of our errors are the fault of GSA.

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