



**JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION**  
**Fiscal Impact Review**  
**2007 Session**

**Bill Number:** HB1632 as Introduced  
**Review Requested By:** Delegate Morgan

**JLARC Staff Fiscal Estimates**

As introduced, HB 1632 establishes a 10 percent cap on the amount of any commissions, lease payments, or other fees that a provider of inmate telecommunications services may pay to the Commonwealth or any agency or political subdivision under its contract. The bill as introduced would also apply to local and regional jails, and juvenile correctional and secure detention facilities; however, a comment on the request for the JLARC staff review of this bill noted the patron's intent to amend the bill to remove local and regional facilities.

The current 35 percent commission rate is expected to generate \$5.5 million in FY 2008, all deposited into the General Fund, according to the Department of Planning and Budget. By reducing the commission rate to a maximum of 10 percent, proportionately less revenue would be generated. Assuming the same volume of telecommunications traffic, a 10 percent commission rate would generate approximately \$1.57 million per year, or \$3.9 million less per year than presently expected.

Because the current contract expires in December 2007, about six months of revenue (\$2.75 million) will be collected under the current rate in FY 2008, and under HB 1632, six months of revenue at the new lower rate (\$0.79 million) would be generated, for an FY 2008 total of approximately \$3.54 million instead of the expected \$5.5 million. In FY 2009 and beyond, the new lower rate will prevail, generating about \$1.57 million per year, subject to changes in the number of inmates, facilities, and the use of the service.

An explanation of the JLARC staff review is included on the following pages.

Authorized for Release:

**Philip A. Leone**  
**Director**

**Bill Summary:** HB 1632 establishes a 10 percent cap on the amount of any commissions, lease payments, or other fees that a provider of inmate telecommunications services may pay to the Commonwealth or any agency or political subdivision under its contract. Any amounts paid in excess of this cap are to be deposited in a newly established Prisoner Telephone Rate Fund and used to reduce the surcharges or rates paid for calls. HB 1632 also directs the State Corporation Commission to determine compliance with the 10 percent cap.

**Discussion of Fiscal Implications:** JLARC staff concur with the DPB fiscal impact statement on HB 1632. The current expectation is for approximately \$5.5 million to be generated in FY 2008 from the 35 percent commission paid under the existing contract for inmate telecommunications services. This amount is deposited into the General Fund.

By reducing the commission rate to a maximum of 10 percent, proportionately less revenue would be generated. Assuming the same volume of telecommunications traffic, a 10 percent commission rate would generate approximately \$1.57 million per year. Thus, General Fund revenue would be reduced by approximately \$3.9 million per year.

Because the current contract expires in December 2007, six months of revenue at the old commission rate (\$2.75 million) and six months of revenue at the new lower rate (\$0.79 million) will be generated, in FY 2008, for a total of approximately \$3.54 million. In FY 2009 and beyond, the new lower rate would prevail, generating about \$1.57 million per year, subject to changes in the number of inmates, facilities, and use of the system.

HB 1632 establishes a special fund for revenues collected in excess of the 10 percent commission cap; however, if the Department of Corrections operates in compliance with the bill, there would be no revenues generated for the special fund.

The State Corporation Commission indicates it will incur no fiscal impact for determining compliance as required by the bill.

There would also be an impact on revenues for local governments operating local and regional jails and secure juvenile detention facilities, although data is unavailable to estimate the fiscal effect. A comment on the request for the JLARC staff review of this bill noted the patron's intent to amend the bill to remove local and regional facilities.

**Budget Amendment Necessary:** Yes. General Fund revenue in FY 2008 should be reduced by \$1.96 million.

**Agencies Affected:** Departments of Corrections and Juvenile Justice, State Corporation Commission.

**Date Released, Prepared By:** 01/31/2007; Walt Smiley.