

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number: HB 1765

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Dillard

3. Committee: Passed both houses

4. Title: Correctional telephone systems

5. Summary/Purpose:

The enrolled bill would require the Department of Corrections to offer debit or prepaid telephone systems, in addition to the existing collect calling system, for use by inmates. The bill would not become effective until January 1, 2006.

6. Fiscal Impact: Final. See Item 8.

7. Budget amendment necessary: None.

8. Fiscal implications:

The Department of Corrections (DOC) currently contracts with a private company to operate the telephone system used by inmates to make telephone calls. For security reasons, specialized equipment is needed to assure that inmates make calls only to pre-approved numbers and that DOC staff are able to monitor the phone calls.

When an inmate places a call to one of the phone numbers on his approved list, the person answering the phone is asked if he wishes to accept the call. If he accepts, the phone number being called is billed for the charge. The fee schedule applicable to these calls is similar to that used for regular collect calls.

As a condition of the contract, the company pays a commission to the state, based on the revenue collected by the company for the calls. For FY 2006, it is estimated that \$6.8 million in commissions will be collected and deposited into the general fund.

The contract for the phone system expires this year. In its request for proposals for operation of the system under a new contract, issued earlier this year, DOC included a debit or prepaid system, in addition to the collect call system, as an option that companies making proposals could include in their submissions. Under a debit or prepaid system, the inmate making the call would pay the cost of the call, which would be deducted by the system either from a debit card or from an account established for the inmate from his funds. (Prisons maintain inmate personal accounts. Earnings by inmates from their jobs in prisons and any

money sent to them by relatives or friends are credited to these accounts.) A representative of the company that currently has the DOC contract has said that it would be feasible to include a debit or prepaid system, along with the collect system. The enrolled bill would require the DOC phone system to include a debit or prepaid feature.

It is not possible to project what effect the new contract, with a debit or prepaid feature, will have on the revenue the state earns through commissions. Some of the uncertainties associated with this issue are:

- Rate structure—DOC will not begin negotiating with the responders to the RFP until later this month. Until a final contract is negotiated, the actual rate structure that will be in effect cannot be known. There may be a difference between the rates for collect calls and those for prepaid calls, but, if so, it is not known how much it will be. Both systems will be largely, if not entirely, automated. That technology has advanced significantly since the existing contract was entered into several years ago.
- Commission—As with the rate structure, the commission percentage rate for the state will be a factor in evaluating the competing proposals and the final rate will be a product of the contract negotiations. It is not possible to project now what that rate could be.
- Call frequency and length—The amount of revenue generated by a phone system is dependent not only on the rate structure (how much it costs to make a call), but also on the degree of usage—how often people make calls and how long they talk. Lower rates for inmates would not necessarily result in lower overall revenue for the prison phone system. Lower rates may result in inmates calling more frequently and talking longer, thereby generating the same amount, or greater, revenue.

9. Specific agency or political subdivisions affected:

Department of Corrections
Department of Juvenile Justice

10. Technical amendment necessary: None.

11. Other comments:

The contract for the correctional phone system includes the phone system installed in juvenile correctional centers operated by the Department of Juvenile Justice.

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