



Equitable Telephone Charges

eTc CAMPAIGN

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Dear Utility Consumer Advocate:

In most states...

- Prisoners can make only collect calls, using a single telephone provider chosen by the state.
- The state receives a large commission (generally 40-50%, but as high as 65%) on those calls.
- The calls are very high-priced; the most significant factor driving up the price is the commission paid to the state.
- The calls are time-limited with a heavy toll for the first minute. Prisoners who cannot finish their business in the allotted time, may call again, thereby incurring another heavy first minute charge.

Prison systems and phone companies often justify these practices by claiming...

- The security systems are expensive.
- These calls often generate considerable bad debt.

In reality...

- The security features are already incorporated into the hardware and software used in prisons, and should not be viewed as an extra expense.
- The security features can be applied to the much less expensive debit calls and/or toll-free calls using existing hardware and software.
- Much of the bad debt is likely related to the exorbitant pricing.

Since January, 2000, we have been working to convince policy makers to reduce or eliminate the surcharges on prisoner-initiated phone calls and to make debit calling available to all prisoners. Enclosed is a copy of our progress report. We would appreciate your assistance in advocating for these changes. If you need additional information, please do not hesitate to contact me.

Sincerely,

Kay D. Perry
eTc Campaign Coordinator

eTc Campaign Update July, 2002

INTRODUCTION

This document summarizes the activity we have seen regarding prison telephone systems since we launched the Equitable Telephone Charges (eTc) Campaign in January, 2000. We have identified four categories of activity: Administrative Initiatives, Legislative Activity, Litigation, and Editorial Support.

Connecticut, DC, Indiana, New Mexico, South Dakota, and Vermont have led on the legislative side by passing laws to address the problem. There has been legislative activity in 14 other states that have not yet resulted in the enactment of new laws. At the same time, we believe that the legislative activity has led to pilot studies and/or direct improvements in states such as Missouri, Oklahoma, and Pennsylvania.

The regulatory body in Virginia (SCC) ruled that there should be a reduction in the phone charges. Unfortunately, the legislature responded with legislation that bars the SCC from having exercising its authority in such matters. The Public Service Commission in Georgia has provided some relief. Most of the litigation, involving 16 states is still pending. There has been administrative activity impacting 23 state systems.

We are aware of some activity in 35 states and the District of Columbia (70% of the jurisdictions)! We find that encouraging, since the issue was seldom discussed prior to the launch of our campaign. Nevertheless, the problems are not yet solved. Much work remains. We are determined to continue our efforts until we achieve the reasonable rates we all deserve.

ADMINISTRATIVE INITIATIVES

- CA:** In February, 2002, the state signed a contract that will reduce the rates of most prisoner phone calls by 25 percent, and will also trim the annual commission paid the state.
- CO:** Allows prisoners to make debit calls as well as collect calls. Debit calls are provided through a debit account system.
On January 3, 2001, DOC administrators reported to the Legislative Joint Budget Committee that they were working on a 5-year contract that would reduce phone system commissions from 33.3% to 27-28%.
In September, 2001, the DOC announced that it would be lengthening phone calls to 20 minutes, and allowing prisoners to place 15 approved numbers on their call lists.
In January, 2002, the Public Utilities Commission ruled that the maximum surcharge for prisoner calls is \$1.85. The surcharge had been as high as \$3.00 for some interLATA calls.
- DC:** The Director of the prison system indicated, in testimony before the budget committee, that he was considering a debit calling system.
- GA:** Georgia's Public Service Commission (PSC) opened an investigation October 16, 2001, following numerous complaints. The investigation will include municipal jails as well as state prisons and halfway houses. Among the concerns: 1) Prison phone system provider MCI is charging both a connection charge and a per-minute fee which is prohibited by tariff rules. 2) MCI's recorded message provided incorrect rates or no rates at all. In some cases the rate charged was twice the stated rate. (MCI blames a computer software error.) In

addition, the cost of a 10-minute call from a prison jumped from \$5 (with vendor Sprint) to \$10 with MCI.

The DOC has asked that its share of the overcharge be refunded. DOC Commissioner Jim Wetherington has said he will review commissions in a few months, and will ask MCI to reduce the state's cut if revenues significantly exceed expectations. At its meeting on January 16, 2002, PSC Commissioner Robert Baker stated, "We're concerned about price gouging by the Department of Corrections. (People) are essentially being assessed a penalty for having that association (with a prisoner)." The Commission could decide at its February meeting whether it has the authority to order a lower rate.

On February 19, 2001, the Georgia Public Service Commission ordered telephone providers to reduce the rates for prisoner calls from \$3.95 connection fee and \$.69 per minute to \$2.20 connection fee and \$.35 per minute.

- IA:** On January 18, 2001, Board of Corrections Director announced that prepaid debit cards would be made available to prisoners. Features of the system include: 1) The system allows only pre-paid debit cards – no collect calls. 2) No calls to toll-free numbers are allowed. 3) The system uses a separate account, friends and family members can send money to that account, and the account is not subject to deductions for restitution and pay for stay. Unlike all other prison phone debit systems, debit calls cost more than the collect calls did.
- IN:** In October, 2001, a new contract for state prison phones resulted in lower rates and introduced debit calling. According to an August 8, 2001 report in *Louisville Courier-Journal*, a 15-minute collect call from a prison in Pendleton to the city of New Albany dropped from \$14.30 to \$5.25. Using the prepaid debit feature, the same call would cost just \$3.75 (avoiding the \$1.50 operator fee). Under the T-NETIX contract, rates dropped from \$3.95 + 69¢ per minute (under old AT&T contract) to \$1.50 + 25¢ per minute. The new contract does not impact local calls; they will likely be reduced in 2002 when the contract for local calling expires. In October, 2001, state commissions dropped from approximately \$11 million annually to approximately \$5 million. Fayette County jail inmates are allowed to purchase phone cards at substantial savings over collect calls.
- KY:** In July, 1999, the Kentucky Public Service Commission ruled that by November, 1999, phone companies doing business with the Department of Corrections must roll back surcharges to \$1.50 while freezing actual long distance charges at current rates.
- MD:** Advocates from the Maryland Justice Policy Institute objected to a proposed prison telephone system contract that would have resulted in high costs to consumers. As a result of their efforts, in June the existing contract was extended for six months (to December 31, 2001) so that new bids could be solicited.
- MI:** Representative Mary Ann Middaugh requested MDOC to include debit calling in their next phone contract. It was included in the Request for Proposal, though the feature is not currently available to consumers. As a result of a new contract with Sprint, the cost of collect calls from prisons jumped dramatically beginning in the autumn of 2001.
- MN:** Allows prisoners to make debit calls as well as collect calls.
- MO:** The Department of Corrections implemented a new system in autumn, 2000 that resulted in reported savings on collect calls of 25-40% depending upon the length of the call. Plans call for implementation of a debit card system of calling and elimination of all commissions to the state. We have no confirmation on the status of the later phases of the system.

- NM:** In April, 2000, the New Mexico Public Regulation Commission ordered certificated institutional operator service providers to file (by June 6, 2000) testimony and cost of service studies or other appropriate ratemaking methodology in order to justify the reasonableness of their current rates.
- NV:** Advocates, including NV CURE, met with DOC representatives at the direction of Governor Kenny Guinn. They were able to reach agreement to reduce the number and volume of voice overlays and to include more information to call recipients regarding the cost of the calls.
- OH:** Prison spokesman Gene Gilliland said a new contract with MCI will produce a 15% savings for prisoner families. MCI also agreed not to raise rates or surcharges for the duration of the five-year agreement. The changes only affect intra-state calls.

On August 21, 2000, Summit County Council members unanimously approved a contract that will reduce the fee for local collect calls from \$2.50 per call to \$1.80, the same rate the public is charged. The agreement followed negotiations between the County Sheriff's Department and the Catholic Commission.

- OK:** In the summer of 2001, the Oklahoma Board of Corrections called for a pilot study of prepaid prisoner phone services to be conducted at two prisons. A report is to be issued at the conclusion of the pilot.
- OR:** The Oregon Department of Corrections has been mandated to explore ways to reduce the cost of inmate phone calls, especially Inter-LATA and Inter-state calls. In response they announced that they will begin testing a pre-paid debit calling system for women housed at the Coffee Creek Correctional Facility. The test system will be installed by mid-July, 2002, and will permit collect calls as well as calls using a prepaid account at discounted rates.
- PA:** In 2002, the Pennsylvania DOC entered into a new telephone contract that will lower the average price of a fifteen-minute call by as much as thirty percent.
- SD:** In 2002, the legislature appropriated enough funds to cover anticipated lost revenues so the Department of Corrections could reduce their phone revenues. As a result, the new phone system to be installed on August 1, 2002 will include both collect and debit calling. The new rates are as follows:

Call Type	Current System Collect Only	New System Collect	New System Debit
Local	\$2.71	\$2.71	\$1.35
IntraLATA (14-minute call)	\$6.57	\$6.57	\$3.73
Intrastate IntraLATA (14-minute call)	\$13.91	\$9.58	\$3.79
Interstate (14-minute call)	\$16.71	\$11.20	\$3.79

- TN:** On April 5, 2001, Global Tel*Link reduced rates for local calls from TN prisons from \$1.35 to \$.85 as a result of complaints filed with the Tennessee Regulatory Authority (TRA). Global is appealing findings of the TRA. Tennessee allows prisoners to make debit calls as well as collect calls.

- TX:** On September 28, 2001, the Texas Board of Criminal Justice tabled a plan to provide generous phone privileges to well-behaved state prisoners. Board members reportedly feared prisoners would use phones to orchestrate contract killings or drug deals, or to contact their victims. (Most state prisoners in Texas do not have phone privileges. Trustees are allowed one phone call quarterly.
- VA:** In a ruling dated August 23, 2001, the State Corporation Commission ruled that "collect call service from state prison facilities is not being offered on a competitive basis." It then required the phone provider (MCI Worldcom) to file "just and reasonable rates" for prisoner-initiated calls. The cost and supporting documentation were to be filed by January 7, 2002. In addition, MCI was "to review its charges to customers for this service since January 1, 1999. Upon further SCC review, customers may be due refunds with interest." MCI appealed that ruling. The appeal was rejected in January, and the SCC set another date for the rate study (May 20, 2002).
- WI:** We were informed by e-mail that Wisconsin switched telephone service providers and the price of a call from prison was reduced 50%. At this point, we have no additional confirmation.
- WV:** Advocates in West Virginia report a "HUGE DECREASE" in the cost of prisoner calls. Local call rates are reduced from \$2.25 to \$1.00. In the case of long distance calls, the surcharge has been reduced from \$2.25 to \$.85 and the per minute charges have been reduced from \$.66 to \$.05 and \$.07, depending upon the distance involved.

LEGISLATIVE ACTIVITY

- CA:** SB1978, (2000) would have required any contracts to provide phone service to state prison inmates and California Youth Authority wards to be negotiated to provide the lowest possible costs to wards and inmates, with a proviso that service contracts cover state expenses and provide a reasonable profit margin for the vendor. This bill also specified that state profits must not be a basis for awarding a contract. The bill was vetoed by Governor Gray Davis.
The Joint Committee on Prison Construction and Operation held a hearing on the prison pay phone issue on February 16, 2002. We do not yet have an update on that meeting.
- CT:** As a result of legislation, the Connecticut Department of Corrections will establish a trial debit system at one prison in 2002.
- DC:** Bill passed by DC Council regulates the rates on prisoner phone calls originating in DC and phone calls originating from prisons contracted to house DC prisoners.
- FL:** HB 1975, (2000) would have recognized the importance of prisoner-family contact and would have required a survey of existing federal and state prison telephone systems. The resulting follow-up report would have been used to select a plan for prisoner phone services with a primary consideration that of reducing cost of calls and giving secondary importance to commissions. The bill did not pass.
- ID:** On January 16, 2001, a legislative committee questioned IDOC Director James Spalding about the commissions received on prisoner telephone calls (\$3 million annually). He was also asked why a calling card system could not be implemented.

- IN:** HB 2115 (2001) would have prohibited governmental entities from profiting from prisoner phone calls.
SB 419 (2001) would have required the Indiana Utilities Regulatory Commission to set fees for collect calls from prison at 50% of the fee for a regular pay phone collect call. Neither bill became law.
HB 1225 (2002) would require that a request for bids for a phone system for “confined offenders” must emphasize low rates and fees. Commissions would be limited to 33%. County jail contracts would have to terminate on the earlier of (1) four years after the contract was entered into, or (2) five months after the general election immediately after the date the contract was entered into.
SB 136 (2002) would have required that the telephone contract for a jail in a county with a population of more than or equal to 75,000 be awarded to the lowest and best proposal. Also provided that commissions must be used to fund capital improvement projects at the correctional facility.
In the spring of 2002, a law was enacted that will limit the commission on phone calls from the state’s 18 largest county jails to no more than 33%.
- LA:** SB 259 (2001) would have required any contract for prisoner phone services be awarded to the lowest bidder and would have prohibited the state or any governmental entity from profiting from such services.
SB 353 (2001) would have prohibited surcharges on phone services provided to prisoners. Neither bill became law.
- MA:** A bill introduced by Rep. Ben Swan (2001) would have required that rates for prisoner telephone calls be equal to a comparable call in the free world, that contracts be selected based upon lowest cost to users, and the Department of Corrections not receive a commission or any special-rate services in exchange for awarding the contract. The bill was not enacted into law.
A bill introduced by Senator Charles Shannon (2001) would have prevented any special surcharges or tariffs on prisoner calls. It would also have required the prison system to establish a debit calling system for prisoners. The bill was not enacted into law.
- MD:** HB 663 (2001) would have prohibited the state or any county from imposing a surcharge, commission or other fee in excess of the allowable charge for the call for local or long-distance telephone service. In addition, charges could not have exceeded the average rate established by the Public Service Commission (PSC) charged by the state’s five largest telephone service providers for operator-assisted calls in the state. Furthermore, the state and counties would have to consider alternative methods of providing phone service to prisoners that seek to reduce costs and provide quality service. Finally, the bill would have required the Department of Public Safety and Correctional Services to conduct a survey of prison phone systems and explore alternatives such as debit accounts, calling cards, and debit cards. The bill passed in the house and died in senate committee.
On March 7, 2002, the House of Delegates Committee on Commerce and Governmental Affairs held a hearing on HB 839. The bill would prohibit the state from receiving commissions on prisoner phone calls, and would ensure that the reduction in the cost of the contract is “reasonably reflected in the charges for inmate telephone calls.”
- MI:** HB 4184 (2001) would require competition in prison telephone systems. It has not yet been taken up by a committee.

- NC:** HB 1844 (2000) would have required the DOC to provide telephone systems in all institutions that do not permit a single vendor to control rates paid by recipients of inmate calls, either by allowing inmates to use prepaid phone cards or by some other method. The bill was not enacted into law.
HB 10 (2001) would have allowed minimum security prisoners to place debit phone calls; it would also have required the DOC to conduct a study of prison phone systems and charges. The bill was not enacted into law.
- NM:** On March 14, 2001, Governor Gary Johnson signed a bill that requires prisons and jails to provide telephone services at the lowest reasonable cost. The law, which will take effect June 15, 2001, applies to the state's prisons, privately operated prisons used by the state, and jails throughout the state. The measure prohibits contracts that pay the prison operator a commission or share of call revenues.
We later received clarification regarding the above legislation. The bill reads, "A contract to provide inmates with access to telecommunications services in a correctional facility or jail shall not include a commission or other payment to the operator of the correctional facility or jail based upon amounts billed by the telecommunications provider for telephone calls made by inmates in the correctional facility or jail." We are concerned that this language does allow kickbacks or "gifts" that are based upon factors other than telephone rates billed. At the same time, the bill does state that contracts shall be negotiated and awarded to an entity that meets the correctional facility's or jail's technical and functional requirements for services, and that provides the lowest cost of service to inmates or any person who pays for inmate telecommunication services" Implementation of these contracts must be carefully observed.
- OH:** SB 103 (2001) would have required the Ohio Department of Rehabilitation and Correction to adopt a debit account calling system. The bill was not enacted into law.
- OK:** In 2001, an interim legislative study is examining the issue of prisoner telephone calls. The Corrections department's chief of administrative operations (David Miller) said that the agency is also scrutinizing its charges.
- PA:** The House passed HB 1402 which would allow for a debit card calling system. The Senate passed SB 879 which would also allow for a debit card system. The Commissioner of Corrections has indicated that he supports the legislation and could have a debit card system in place within a few months of authorization. At this writing, we do not know if the Governor has taken action on the bills.
- RI:** H 5710 (2001) would have placed phone revenues in the Prisoners' Recreation and Education Account. In addition to normal account purchases, the funds would also have been used to purchase phone cards for prisoners whose families are indigent. The bill was not enacted into law.
- SC:** Joint Resolution 1289 (2000) would have set up a committee to review prison telephone systems and rates and their impact on prisoners and their families. The bill was not enacted into law.
S 0405 (2002) and H3877 (2002) would "provide that the state shall forego any commission or other source of revenue derived from the placement of pay telephones (in prisons and juvenile facilities) and provide that the State Budget and Control Board shall ensure that the telephone rates charged for the use of these pay phones reasonably reflect this foregone state revenue."

