

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6857

BILL NUMBER: HB 1225

DATE PREPARED: Jan 8, 2002

BILL AMENDED:

SUBJECT: Confined Offender Telecommunications System.

FISCAL ANALYST: Mark Goodpaster

PHONE NUMBER: 232-9852

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

(A) It provides that a solicitation for a telecommunications system provided to a confined offender must emphasize low rates and fees.

(B) It limits commissions received from a telecommunications system provided to a confined offender to 33% of the telecommunications provider's net revenues.

(C) It provides that a contract for a telecommunications system provided to a confined offender in a county jail must terminate on the earlier of: (1) four years after; or (2) five months after the general election immediately after; the date on which the contract was entered into.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: This bill would require the Department of Administration to solicit for telephone services for confined offenders and emphasize lower per call service charges, per minute rates, and commission rates when the next contract expires. Whether this bill would affect the rates that are charged for offender calls will depend on rates specified in the solicitation and the response from potential vendors.

Background: The revenue that the state receives from telephone companies is based roughly on the following formula:

$$\text{Telephone Revenue} = \text{Commission Rate} \times \text{Number of Telephone Calls} \times \left(\text{Connection Fee} + \text{Charge per Minute} \right)$$

Any revenue loss would depend on the commission rate received from the telephone companies with which

the state contracts as well as the connection fee and charge per minute.

The Department of Administration contracts with at least three major providers of telephone services for offenders in Department of Correction (DOC) facilities. GTE and Ameritech provide local calls, while T-NETIX provides long distance calls. Commissions received from GTE and Ameritech are deposited in the Offender Recreation Fund which is used in DOC facilities, while the commissions received from T-NETIX are deposited in the Pay Phone Fund.

Revenues from the Pay Phone Fund have been used to finance projects that will improve the telecommunications and computer capabilities of the state government.

The following shows the revenue deposited into these two funds from these commissions in FY 1999, FY 2000, and FY 2001.

FY	Pay Phone Fund	Offender Recreation Fund	Total Revenue
1999	\$5,809,008	\$693,485	\$6,502,493
2000	\$5,978,222	\$850,157	\$6,828,379
2001	\$1,472,558	\$900,000 (est.)	\$2,372,558

As an example of how both the rate of commission and the telephone charges for confined offenders could be lowered, the following table compares the rates and provisions of the current and past contracts that the Department of Administration has secured for telephone services for offenders in DOC facilities.

Vendor	Years of Contract	Connection Fee	Per Minute Charge	Commission
AT&T	1995 to 2001	\$3.95	\$0.69	53%
T-NETIX	2001 to 2005	\$1.50	\$0.25	45%

The Department of Administration anticipates this contract will likely result in lower revenues because of the reduction in fees that the vendor will charge as well as the lower commission rate that the state will receive.

For local services, Ameritech charges a connection fee of \$3.65. The per minute rates for calls range between \$0.10 and \$0.24 per minute depending on time of day, distance, and other factors. This contract expires October 31, 2002. Any revenue loss that would occur from this bill will depend on the terms agreed to in the next contract.

Explanation of Local Expenditures:

Explanation of Local Revenues: Provision C: Revenue that the county sheriffs receive from offenders in county jails is based on the same formula shown in *Explanation of State Revenues*. This bill would reduce the revenue that the counties collect in commissions from the telephone contracts for confined offenders in the same manner as the state.

As an illustration of how this bill could affect county sheriffs offices, LSA examined 31 contracts of counties where a contract with the telephone provider will expire between December 1, 2002, and December 31, 2004. Overall, 21 of the 31 counties had contracts with commission rates that exceeded 33%.

When Contract Expires	Number Of Counties	33% Or less	More than 33% Commission
Last Two Months of CY 2002	3	0	3
CY 2003	18	5	13
CY 2004	<u>10</u>	<u>5</u>	<u>5</u>
Totals	31	10	21

Elections for all sheriffs will take place in November 2002. Consequently, three counties in which telephone contracts would expire between the date of the general election and December 31, 2002, would be affected within the first 12 months by this bill. The current contracts in each of these three counties include commissions exceeding 33%. Consequently, the commissions would need to be reduced to at most 33% resulting in a revenue loss to these counties.

During CY 2003, 18 counties have telephone contracts expiring and need to be renewed. Of these, 13 have contracts in which the commission rates exceed 33%. Under this bill, these contracts would also need to be renewed at a commission rate that would be 33% at most. Counties renewing their contracts at the lower commission rate would experience a revenue loss. During CY 2004, ten counties will have their contracts expire. Of these, five have commission rates that exceed 33%.

As further illustration that this bill could have an impact on the county sheriff's office, the following table shows the number of counties and, where information is available, the revenues that counties are estimated to receive for CY 2000.

Time Period When Contract Expires	Counties with Available Information On Revenue Received	Estimated Commission Revenue for CY 2000		
		Low	Median	High
Between November and December 31, 2002	4	\$26,928	\$112,372	\$2,173,529
CY 2003	17	\$10,496	\$38,786	\$247,556
CY 2004	10	\$16,617	\$29,880	\$62,472

The following are examples of the fees charged to offenders for telephone calls.

Vendor	Connection Fee	Per Minute Charge
Ameritech	\$8.95	\$0.45
AT&T	9.99	0.59
Cincinnati Bell	4.50	0.45
Evercom	3.00	0.40
Gateway	6.75	0.15 to 0.24

State Agencies Affected: Department of Administration, Department of Correction.

Local Agencies Affected: County Sheriffs, Juvenile Detention Facilities and Centers, Community Corrections Agencies with onsite residential programs for offenders.

Information Sources: Minutes of Interim Study Committee on State and Local Government Issues, August 27, 2001; Indiana Utility Regulatory Commission, *Published Tariffs of Selected Vendors for Inmate Telephone Services*; Telephone Contracts for Selected County Sheriffs; Jay McQueen, Department of Administration; Shawn Seifert, Department of Information Technology; Alan Benjamin, Department of Administration.