HB 873

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 873 (Delegates Benson and Marriott)
Health and Government Operations

Public Safety - Correctional Institutions - Telephone Contracts

This bill prohibits inmate telephone service contracts from providing a commission or other revenue for the State or a local government after fiscal 2008 and prohibits the State or a local government from receiving a commission after fiscal 2008. The bill requires any contract in effect on June 30, 2004 to provide a specified decreased rate of commission or revenue for the State or a local government each fiscal year though fiscal 2009 and beyond. The bill also requires that, for any reduction in charges for inmate telephone calls required under these provisions, the State or local government must ensure that the reduction is reasonably reflected in the charges for the inmate telephone calls.

Fiscal Summary

State Effect: Inmate Welfare Fund revenues would decrease by $1.07 million in FY 2005, escalating to $5.37 million by FY 2009, at which point no income from inmate telephone call commissions may be received.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	($1,074,000)	($2,148,000)	($3,222,000)	($4,296,000)	($5,370,000)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($1,074,000)	($2,148,000)	($3,222,000)	($4,296,000)	($5,370,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local income from commissions and other revenue related to inmate telephone calls totals approximately $2.9 million, statewide. This bill would, after FY 2009, eliminate that revenue for all jurisdictions.

Small Business Effect: None.

Analysis

Bill Summary: This bill provides that the State and local governments may not receive a commission or other form of revenue in the following annually decreasing manner based on the cost of the inmate telephone contract in effect on June 30, 2004:

- fiscal 2005 – no greater than 80%;
- fiscal 2006 – no greater than 60%;
- fiscal 2007 – no greater than 40%;
- fiscal 2008 – no greater than 20%; and
- fiscal 2009 and beyond – none.

The bill is effective July 1, 2004. The bill's provisions are applied only to contracts providing telephone service for inmates entered into on or after July 1, 2004.

Current Law: The general tariff of a telecommunications carrier is required to be received, reviewed, and approved by the Public Service Commission (PSC). However, PSC is not involved in State contract negotiations with carriers, nor does it review or regulate to any extent the rates of such contracts.

Background: There are two current contracts (about to expire) for telephone service in State facilities. Verizon Communications has the contract for local calling service, and AT&T is the long-distance carrier. Under these contracts, the State receives a commission rate of 20% for local calls and 42% for long-distance calls. These contracts expire March 1, 2004, and a new contract with T-NETIX, Inc. begins on that date. The new contract is expected to have a start-up date early in March 2004.

The T-NETIX contract will apply only to inmate calls at State correctional facilities, and does not include, as was the case under the previous arrangement, telephone services in other State facilities. Under the new contract, T-NETIX will provide pay station equipment and local services for inmates and their families at all State correctional facilities at a commission rate to the State of 48% for local collect calls and 57.5% for long-distance collect calling. In addition, the T-NETIX contract provides for a debit/prepaid program covering local and long-distance calling at a commission rate to the State of 60% for all calling within the program.

The prepaid program is totally automated with discounted rates for calls and allows prepayment for calls through the facility commissary system. The program will require no additional staff time, maintenance, or costs for the Department of Public Safety and Correctional Services (DPSCS). The discounted calling rates together with the high commissions on calls is expected to net generally the same return in commissions to DPSCS as was the case under the previous telephone contracts. In fiscal 2003, DPSCS received about $5.53 million in commissions from telephone calls. For fiscal 2005, an estimated $5.37 million is projected in commissions, which have tended to fall in recent years.

State agencies do not contract directly with telephone service providers. The Department of Budget and Management is responsible for the contracts relating to the use of telephones at all State facilities, including State correctional facilities. Generally, State agencies receive commissions from the vendor and deposit these revenues into the general fund. However, DPSCS facilities are allowed to retain the commissions to support and direct inmate services.

The contract governing inmate calls from DPSCS facilities is structured to be a revenue producing instrument for the agency. The funds are deposited to the Inmate Welfare Fund, a State special fund that is used by DPSCS for items benefiting the inmate population including education and vocational training, hygienic supplies for indigent inmates, salaries relating to clergy and medical staff, special recreational equipment and supplies, and support of the inmate grievance process and inmate legal support. The Inmate Welfare Fund also receives about $2 million annually from commissary activities, vending machines, and other sources.

State Fiscal Effect: Based on current commission earnings from inmate telephone calls in State correctional facilities, this bill would result in reduced special fund revenue for DPSCS as follows:

- fiscal 2005 – $1,074,000;
- fiscal 2006 – $2,148,000;
- fiscal 2007 – $3,222,000;
- fiscal 2008 – $4,296,000; and
- fiscal 2009 – $5,370,000.

DPSCS advises that inmate telephone call commissions go toward hygiene supplies for indigent inmates, recreation supplies, salaries for chaplains (all denominations), inmate medical support and monitoring staff, all operating costs for the Inmate Grievance Office, inmate law library, and all education programs.

Local Fiscal Effect: Statewide, local income from commissions and other revenue related to inmate telephone calls totals approximately $2.9 million. Future contracts for inmate telephone calls under this bill would reduce revenue to local governments and local correctional facilities. Income from such contracts varies widely. For instance, Washington County's revenue from inmate telephone calls is about $20,000 annually, Montgomery County receives about $240,000 annually, and Prince George's County receives about $660,000 annually. Twenty county detention facilities offer inmate telephone calls through the State contract. Thirteen counties deposit telephone commissions to the county general fund.

Additional Information

Prior Introductions: HB 839 of 2002, a similar bill, received an unfavorable report from the House Commerce and Government Matters Committee. In 2001, a bill relating to State and local government telephone contracts for inmate calls, HB 663, which would have required certain studies to be conducted, passed the House, received a hearing before the Senate Finance Committee, and had no further action taken on it.

Cross File: None.

Information Source(s): Montgomery County, Department of Public Safety and Correctional Services, Department of Legislative Services

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ncs/jr

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