

**Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of:

**Rates For Interstate Inmate
Calling Services**

}
}
} **WC Docket No. 12-375**
}
}

REPLY COMMENTS

OF

**MARTHA WRIGHT, ET. AL.,
THE D.C. PRISONERS' LEGAL SERVICES PROJECT, INC.,
CITIZENS UNITED FOR REHABILITATION OF ERRANTS,
PRISON POLICY INITIATIVE, AND
THE CAMPAIGN FOR PRISON PHONE JUSTICE**

EXHIBITS A-H

Lee G. Petro
Jennifer L. Oberhausen
Jennifer M. Roussil

DRINKER BIDDLE & REATH LLP
1500 K Street N.W.
Suite 1100
Washington, DC 20005-1209
(202) 230-5857

April 22, 2013

EXHIBIT A

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Rates for Interstate Inmate) WC Docket No. 12-375
Calling Services)

REPLY DECLARATION OF COLEMAN BAZELON

Coleman Bazelon, being duly sworn, declares as follows:

I. PURPOSE

1. My name is Coleman Bazelon. Previously, I filed a Declaration in this Proceeding.¹ This Reply Declaration briefly reviews the major points of my original Declaration, noting relevant information filed by Commenters that pertain to that analysis. I also comment on the analysis submitted by Stephen Siwek of Economists Incorporated on behalf of Securus Technologies, Inc.²

II. ANALYSIS FROM PREVIOUS DECLARATION

2. In my original Declaration, I provided analysis supporting two propositions. The first was that a fair, just, and reasonable benchmark rate for prison calling services would be \$0.07 per minute for debit and collect calls, with no per call or set up fees.³ The second was that any revenue lost by correctional facilities from reduced commissions would almost certainly be more

¹ “Declaration of Coleman Bazelon,” Martha Wright, et al, D.C. Prisoners’ Legal Services Project, Inc., Cure, Prison Policy Initiative, and the Campaign for Prison Phone Justice, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 et al., WC Docket No. 12-375, March 25, 2013, Exhibit C. (Hereinafter, “Bazelon Declaration”)

² “Expert Report of Stephen E. Siwek,” On Behalf of Securus Technologies, Inc., WC Docket No. 12-375, March 25, 2013. (Hereinafter, “Siwek Report”)

³ Bazelon Declaration, ¶ 26.

than made up for in lower prisoner costs as a result of reduced recidivism rates.⁴ Here I briefly review these two findings and address additional information in the record that supports my original conclusions.

A \$0.07 PER MINUTE BENCHMARK RATE IS FAIR, JUST, AND REASONABLE

3. Given market failures in the provision of prison phone services, competition in the industry does not lead to lower prices and better service for prisoners, but rather to higher prices and larger commissions for correctional institutions.⁵ Consequently, setting a benchmark rate is a reasonable regulatory approach to assure fair, just, and reasonable rates are charged for prison phone services. Rather than establishing such a benchmark rate based on detailed, firm specific cost analysis, the rate should be based on the costs of competitively provided telecommunications services, with prison specific adjustments made where necessary. By basing the benchmark rate on competitively provided components, market forces assure the resulting rate meets the Communication Act’s fair, just and reasonable standards.

4. My original analysis divided the proposed benchmark rate into three component parts.

- 1) The cost of commercially provided debit calling services,
- 2) the added prison specific costs above the costs of commercial debit calling services,
and
- 3) additional billing and collection costs associated with collect calling.

5. The first component—the cost of providing debit calling services, including all switching, transport, billing and costs as well as profit—is well measured by commercially provided debit calling services offered to individuals. Those services are provided in a competitive market and meet the fair, just, and reasonable standard for rates. After reviewing

⁴ Bazon Declaration, ¶ 55.

⁵ “Comments of Verizon and Verizon Wireless,” In the Matter of Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, March 25, 2013, p. 2.

retail rates, I estimated this component of the total cost of prison calling services was \$0.03 per minute.⁶

6. The second component—the added costs of providing debit calling services in a prison setting, including caller access restrictions and call monitoring, recording and storage costs—was estimated based on cost modeling of the services provided. I estimated a reasonable update of previous analysis in the record was a prison specific cost component of \$0.02 per minute.⁷ Although portions of the required prison specific services can be found to be provided commercially—for example call monitoring, recording and storage services for call centers—no evidence was introduced in the record supporting market based estimates of these cost components. Should such evidence be introduced, it could further inform the estimate of the prison specific costs.

7. Although no market based estimates of these costs were introduced, some commenters did introduce evidence related to these costs. For example, NCIC submitted that storage costs were \$0.005 per call per month.⁸ For a 15 minute call, this would be \$0.0003 (3 one-hundredths of a penny) per minute per month for storage.⁹ Even 2 years of storage would add less than \$0.01 per minute to the cost of a call.¹⁰ NCIC also submitted that its solution for biometric identification costs an average of \$0.10 per call.¹¹ On a per minute basis, this cost would also be less than \$0.01 per minute.¹² Overall, the specific cost data submitted in the record are consistent with my initial estimate of \$0.02 per minute for prison specific costs of providing prison calling services.

8. The third component of costs—additional billing and collections costs associated with collect calling, over and above the costs of debit calling—was also derived from industry data.

⁶ Bazelon Declaration, ¶ 19.

⁷ Bazelon Declaration, ¶ 23.

⁸ Network Communications International Corp., “Comments on Notice of Proposed Rulemaking,” In Re: Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, p. 6. (Hereinafter “NCIC Comments”)

⁹ $\$0.005/15 = \0.0003 .

¹⁰ $\$0.0003 \times 24 = \0.0072 .

¹¹ NCIC Comments, pp.6-7.

¹² $\$0.10/15 = \0.0066 .

The estimate I provided in my original Declaration was \$0.02 per minute.¹³ Whether or not the costs associated with collect calling are decreasing or not,¹⁴ what is clear is that collect calling has become a much less important part of the prison payphone service mix.¹⁵ Telmate reports that its collect calling is only 8% of its paid calling volume.¹⁶ Pay Tel reports that 80% of inmate calls are placed to wireless phones.¹⁷ This is consistent with higher debit calling rates because debit calls can more easily be made to wireless numbers. Collect calls to wireless numbers require third-party payment facilitators, suggesting payment issues for the ICS providers are reduced.¹⁸

9. My review of comments filed in this proceeding only reinforces the conclusion I came to in my original Declaration that a benchmark rate of \$0.07 per minute meets the fair, just, and reasonable standard set out in the Communications Act.

**A LOWER PRISON POPULATION WILL MAKE UP FOR ANY LOST REVENUE FROM
REDUCED OR ELIMINATED COMMISSIONS**

10. In my initial Declaration, I noted it would only take a very small reduction in recidivism to result from the better family contacts that would be encouraged by lower prison calling rates to more than make up any revenues lost from reduced or eliminated commissions that penal institutions receive. In that analysis, I calculated that a one percent reduction in recidivism would be equivalent to about 2,800 fewer prisoners, nationwide.¹⁹ At a little more than \$31,000 average per prisoner cost and an average term of incarceration of 3 years, the national savings

¹³ Bazelon Declaration, ¶ 25.

¹⁴ At least one commenter pointed to some increased costs associated with billing and collecting collect calls. See, NCIC Comments, p. 5. However, some of the evidence provided was anecdotal and it was not clear how widely applicable it was.

¹⁵ “Ten years ago, prepaid calling was very rare.” This implies the relative importance of collect calling has decreased. “Comments of Securus Technologies, Inc.,” Rates for Interstate Calling Services, WC Docket No. 12-375, p. 22.

¹⁶ Comments of Telmate, LLC, In the Matter of Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, March 25, 2013, p. 15. (Hereinafter, “Telmate Comments”)

¹⁷ “Comments of Pay Tel Communications, Inc.,” In the Matter of Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, p. 8.

¹⁸ Bazelon Declaration, ¶ 24. Also, as an example, see the services provided by V-Connect. Available at: <http://www.myvconnect.com/index-2.aspx>.

¹⁹ Bazelon Declaration, ¶ 48.

from a 1% reduction in incarceration rates would be about \$250 million, far more than the commissions collected by penal institutions.²⁰

11. Concern over lost revenue was expressed in Comments filed by two State DOCs. In both cases, however, a very small reduction in the state's recidivism rate would more than make up for the lost revenue.

- The Mississippi Department of Corrections reports that the total commission it received in its fiscal year 2012 was \$1,651,805.²¹ Mississippi's average annual prisoner costs of \$15,151²² suggests that if lower prison calling rates in Mississippi resulted in just 112 fewer prisoners, the State of Mississippi would be no worse off financially. Based on analysis from the 2004-2007 timeframe, Mississippi released 8,428 prisoners in a year and 33.3% (or 2,807) returned to prison within 3 years.²³ This suggests that in Mississippi (a state with one of the lowest prisoner costs in the nation²⁴) a reduction in recidivism of less than 4% would offset any lost revenues from reduced commissions from prisoner calling services.²⁵
- The Louisiana Department of Public Safety & Corrections reports that for the 2012-2013 fiscal year they expect to receive \$3,817,051 in commissions.²⁶ Louisiana's average annual inmate cost was \$17,486 in Fiscal Year 2010.²⁷ This

²⁰ Bazelon Declaration, ¶¶ 48 & 55.

²¹ "Initial Comments of the Mississippi Department of Corrections," Commission Seeks Comment on Rates for Inmate Calling Services, WC Docket No. 12-375, February 14, 2013.

²² The Mississippi DOC reports its daily prisoner costs at \$41.51. See, <http://www.mdoc.state.ms.us/Research%20and%20Statistics/OffenderCostPerday/Cost%20Per%20Inmate%20Day%20FY%202012.pdf>. This suggests annual costs of \$15,151.

²³ The PEW Center on the States, "State of Recidivism, The Revolving Door of America's Prisons" (April 2011), p. 10, available at: http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/sentencing_and_corrections/State_Recidivism_Revolving_Door_America_Prisons%20.pdf.

²⁴ <http://blogs.clarionledger.com/politics/2013/01/10/state-prison-population-continues-to-soar/>.

²⁵ $112/2,807 = 0.0399$.

²⁶ "Comment on Proposed Rule Making by the Louisiana Department of Public Safety & Corrections," Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, FCC 12-167, March 22, 2013, p. 3.

²⁷ Christian Henrichson & Ruth Delaney, "The Price of Prisons, What Incarceration Costs Taxpayers," VERA Institute of Justice (July 20, 2012), p. 10, available at:

suggests that if only 219 fewer prisoners returned to prison as a result of lower prison calling rates, there would be no net cost impact for the state.²⁸ Based on analysis from the 2004-2007 timeframe, Louisiana released 13,391 prisoners in a year and 39.3% (or 5,263²⁹) returned to prison within 3 years.³⁰ This suggests that if the recidivism rate dropped by about 4%, there would be no revenue impact on Louisiana.³¹

Mississippi has one of the highest calling rates and Louisiana's rate is still in the top two-thirds of calling rates³² and receives relatively large amounts of revenue from calling commissions. In fact, these two states are the only two DOCs that filed comments in this proceeding, suggesting they have the greatest vested interest in keeping commissions at current levels. Nevertheless, a relatively small reduction in recidivism—on the order of 4%—would completely offset any lost revenues these states receive from commissions.

12. A reduction in recidivism of 4% based on increased family and community contacts as a result of lower prison calling rates seems modest. One commenter, the VERA Institute, reports a finding from Minnesota that receiving contact between prisoners and their families leads to a 13% reduction in recidivism rates.³³ A significant reduction in phone calling rates has historically led to a significant increase in prisoner calls. In my initial report I reported on the experience in New York where a 57.5% price decrease led to a 36% increase in calling.³⁴ Telemate reports that in one state, reducing its calling rates to \$0.12 per minute resulted in a

http://www.vera.org/sites/default/files/resources/downloads/Price_of_Prisons_updated_version_072512.pdf.

²⁸ $\$3,817,051/\$17,486 = 218.29$.

²⁹ $13,391 \times 0.393 = 5262.663$.

³⁰ The PEW Center on the States, "State of Recidivism, The Revolving Door of America's Prisons" (April 2011), p. 10, available at:

http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/sentencing_and_corrections/State_Recidivism_Revolving_Door_America_Prisons%20.pdf.

³¹ $219/5,263 = .0416$.

³² Bazelon Declaration, Table 2.

³³ VERA Institute of Justice, In the Matter of Rates for Interstate Inmate Calling Services, WC Docket No. 12-375, March 14, 2013, p. 4.

³⁴ Bazelon Declaration, ¶ 44.

233% increase in call volumes.³⁵ Such significant increases in call volumes indicate the amount of increased family and community contact that can be expected from reduced prison calling rates. States with higher prison phone rates currently can expect to see greater increases in calling volumes from calling rate reductions, suggesting they will see the biggest increases in family contact and, therefore, benefit the most in reduced recidivism rates.

III. SIWEK ANALYSIS

13. Stephen Siwek of Economists Incorporated submitted an Expert Report on behalf of Securus Technologies, Inc.³⁶ His assignment from Securus was to “present cost and traffic data from sites that Securus served in 2012.”³⁷ Instead of providing cost and traffic data for all of Securus’ facilities, Mr. Siwek provides data for the state DOCs served by Securus and a sample of 10 facilities in each of a high, medium and low volume grouping of facilities. The presentation of the data in the 4 groupings is less transparent than simply presenting all of the data and summary statistics based on the entire population of facilities where Securus provides calling services. Nevertheless, the vast majority of Securus’ business is in the DOC and “High 10” facilities and the statistics about these facilities are most informative.

14. The data seem to have some anomalies that raise questions (unanswered by Mr. Siwek.) For example, the variation in the cost data by category raises questions about how costs change with facility size, but without more information about the sample Mr. Siwek chose to present, it is not possible to assess how those costs change with facility size or whether there is a threshold size of a facility where costs begin to decline. Perhaps more puzzling is the data reported on margins in his Table 7b. There Mr. Siwek reports margins of -16.3% and -83.3% for the “Medium 10” and “Low 10” categories, respectively. This suggests that Securus loses money on these facilities—a -83.3% margin suggests Securus receives \$0.5455 in revenue for every \$1 in costs it incurs.

³⁵ Telmate Comments, p. 13.

³⁶ Siwek Report.

³⁷ Siwek Report, ¶ 1.5.

15. Nevertheless, the information provided by Mr. Siwek about the majority of Securus' business in the DOC and "High 10" categories confirms that ICS providers such as Securus earn remarkably high profits.

- For the DOC category of facilities, Mr. Siwek reports an average gross margin³⁸ of 19.8%,³⁹ suggesting that Securus keeps one in 5 dollars in revenue it takes in from state DOCs. He also reports that for this category commissions are 59.3% of costs.⁴⁰ This suggests that for state DOCs commissions are 47.6% of revenues.⁴¹ Treating commissions as a pass through from prisoners to institutions and focusing on Securus' business operations, the above information indicates that Securus keeps 37.8% of its non-commission revenue.⁴² Put another way, of the revenue unrelated to commissions, Securus keeps almost \$2 of every \$5 collected.
- For the "High 10" category of facilities, Mr. Siwek reports that the average gross margin of 22.2%,⁴³ suggesting that Securus again keeps one in 5 dollars in revenue it takes in from facilities in the "High 10" category. He also reports that for this category commissions are 75.4% of costs.⁴⁴ This suggests that for this category commissions are 58.7% of revenues.⁴⁵ Treating commissions as a pass through from prisoners to institutions and focusing on Securus' business operations, the above information indicates that Securus keeps 53.8% of its non-commission revenue.⁴⁶ Put another way, of the revenue unrelated to commissions, Securus keeps more than half of the revenue collected.

³⁸ Mr. Siwek appears to include cost items in his calculation of gross margin, including items such as billing, that usually are not included in a gross margin, but fall under net income. A properly calculated gross margin would be even higher than those discussed here.

³⁹ Siwek Report, Table 7a.

⁴⁰ Siwek Report, Table 5.

⁴¹ $(1-19.8\%) \times 59.3\% = 47.6\%$.

⁴² $19.8\% / (1-47.6\%) = 37.8\%$.

⁴³ Siwek Report, Table 7b.

⁴⁴ Siwek Report, Table 5.

⁴⁵ $(1-22.2\%) \times 75.4\% = 58.7\%$.

⁴⁶ $22.2\% / (1-58.7\%) = 53.8\%$.

16. For these two categories of facilities reported by Mr. Siwek which account for the vast majority of Securus' business, if Securus no longer had to collect and pay commissions, its profits would still be (before accounting for increased sales induced by the lower commission-free rates) between about 40% and 50% of its revenue from providing prison payphone services. This is clearly a market that is not enjoying the disciplining effects of competition.

Respectfully submitted,

By: 

Coleman Bazelon
THE BRATTLE GROUP, INC.
1850 M Street, NW
Suite 1200
Washington, DC 20036

April 22, 2013

EXHIBIT B

Division of Purchases
900 SW Jackson, Room 102N
Topeka, KS 66612-1286



phone: 785-296-2376
fax: 785-296-7240
email: chris.howe@da.ks.gov
www.da.ks.gov/purch

Dennis R. Taylor, Secretary
Chris Howe, Director

Department of Administration

Sam Brownback, Governor

AMENDMENT

Amendment Date: November 29, 2011

Amendment Number: 3

Contract ID: 10481

Procurement Officer: Greg Davis
Telephone: 785-296-2770
E-Mail Address: greg.davis@da.ks.gov
Web Address: <http://da.ks.gov/purch>

Agency: Dept. of Corrections
Location(s): Various KDOC Facilities

Period of Contract: December 17, 2007 through December 16, 2012

Contractor: CenturyLink Correctional Markets
Formerly (EMBARQ Payphone Services, Inc.)
SMART ID: 0000155806
9300 Metcalf Avenue
Overland Park, KS 66212
E-Mail: michael.p.hynes@embarq.com
Toll Free Telephone: 877-907-7774
Local Telephone: 913-534-5699
Fax: 913-397-3591
FEIN: 59-3268090
Contact Person: Mike Hynes
Telephone: 866-224-5139
Cell: 724-612-6249

Amendment No. 3

to

No. 10481

**Agreement Between
Kansas Department of Corrections (KDOC) and
CenturyLink Correctional Markets (CCM) for
Inmate Telephone Service**

This Amendment is made this 14th day of October, 2011 by and between the KDOC and CenturyLink Correctional Markets¹.

WITNESSETH:

WHEREAS, the parties entered into an Agreement for Inmate Telephone Service (Agreement) dated December 16, 2007; and,

WHEREAS, the parties entered into Amendment No. 1 to the Agreement dated January 15, 2009; and,

WHEREAS, the parties entered into Amendment No. 2 to the Agreement dated September 9, 2010; and,

WHEREAS, the parties have determined that the Agreement requires further amendment;

NOW, THEREFORE, the parties hereby agree to amend the Agreement as follows:

1. All terms and conditions of the Agreement, Amendment No. 1, Amendment No. 2 and Agreement shall remain in full force and effect except as specifically amended herein.
2. Section C. Agreement Term and Termination, Subsection 1. Agreement Term of the Agreement is amended to reflect that the Agreement is extended through December, 16, 2012, with the option to extend this Agreement on a month to month basis thereafter.

¹ Embarq Payphone Services changed its name to CenturyLink Correctional Markets effective June 1, 2009.

CONTRACT AWARD

Date of Award: September 21, 2007 (Updated November 29, 2011)

Contract Number: 10481

PR Number: 014621

Replaces Contract: 05221

Procurement Officer: Greg Davis (New Procurement Officer)
Telephone: 785-296-2770
E-Mail Address: greg.davis@da.ks.gov
Web Address: <http://da.ks.gov/purch>

Item: Telephone Services - Inmate

Agency: Dept. of Corrections
Location(s): Various KDOC Facilities

Period of Contract: December 17, 2007 through December 16, 2012

Contractor: CenturyLink Correctional Markets
Formerly (EMBARQ Payphone Services, Inc.)
SMART ID: 0000155806
9300 Metcalf Avenue
Overland Park, KS 66212
E-Mail: michael.p.hynes@embarq.com
Toll Free Telephone: 877-907-7774
Local Telephone: 913-534-5699
Fax: 913-397-3591
FEIN: 59-3268090
Contact Person: Mike Hynes
Telephone: 866-224-5139
Cell: 724-612-6249

Prices: See Attached

Payment Terms: Net 30

Political Subdivisions: Pricing **is** available to the political subdivisions of the State of Kansas.
Procurement Cards: Agencies **may** use State of Kansas Business Procurement Card for purchases from this contract.

Administrative Fee: **No** Administrative Fee will be assessed against purchases from this contract.

**AGREEMENT FOR INMATE TELEPHONE SERVICE
BETWEEN
KANSAS DEPARTMENT OF CORRECTIONS
AND
EMBARQ PAYPHONE SERVICES
CONTRACT NO. 10481**

AND NOW, on this 16th day of December, 2007, this Agreement is made by and between the Kansas Department of Corrections, by and on behalf of the State of Kansas, and as approved by the Kansas Department of Administration Division of Purchases, (hereafter, "State") and Embarq Payphone Services, a firm incorporated under the laws of the State of Kansas (hereafter, "Contractor").

WITNESSETH:

WHEREAS, the Kansas Department of Corrections (KDOC) desires to acquire inmate telephone service in order to replace an existing contract for its adult offender facilities, as listed in **Attachment B** of this Agreement, which may be increased or decreased by KDOC during the term of the contract; and

WHEREAS, State duly issued Request for Proposal No. 10481, on the date of June 13, 2007 soliciting bids from vendors for inmate telephone service; and

WHEREAS, Contractor, a qualified provider of telecommunications services for the corrections industry, submitted a proposal in response to the RFP; and

WHEREAS, ensuing negotiations between a Procurement Negotiating Committee representing KDOC, the Department of Administration, and the State of Kansas, and Contractor have resulted in a determination by State that it is in the best interest of KDOC and the State to enter into an agreement with Contractor for acquisition of inmate telephone service.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises contained herein, it is mutually agreed as follows:

I. GENERAL TERMS

A. Scope:

State grants Contractor the exclusive right and privilege to install and operate prison inmate telephones and related telephone equipment at State's Facilities listed in **Attachment B** of this Agreement (hereafter, "Facilities). Contractor shall, at no cost to State, provide all inside wiring for the inmate telephones, install the inmate telephones, and the related hardware and software/firmware specifically identified herein, to enable inmates at the Facilities to make auto-collect local and long distance calls, debit local, long distance and international calls, and/or pre-paid local, long distance and international calls from the Facilities pursuant to the terms set forth herein.

ADDENDUM

June 8, 2009

Addendum Number: 1

Contract Number: 10481

PR Number: 014621

Item: Telephone Services-Inmate

Agency: Kansas Department of Corrections

Period of Contract: December 17, 2007 through January 1, 2010
With two (2) one (1) year renewal options

Contractor: EMBARQ Payphone Services, Inc.
9300 Metcalf Avenue
Overland Park, Kansas 66212
Toll Free Telephone: 877.907.7774
Local Telephone: 913.534.5699
Fax: 913.397.3591
FEIN: 59.3268090

Contact Person: Mike Hynes
michael.p.hynes@embarq.com
Telephone: 866.224.5139
Cell: 724.612.6249

Conditions:
Please see the attached

Charles E. Miller
Procurement Officer

CEM:nl

Amendment No. 1
to
Agreement #10481 Between
Kansas Department of Corrections and
Embarq Payphone Services for
Inmate Telephone Service

This First Amendment ("Amendment") has an effective date of January 15, 2009 ("Amendment Effective Date") by and between Kansas Department of Corrections with its principal place of business located at 900 SW Jackson Street, 4th Floor, Topeka, KS 66612 ("KDOC") and Embarq Payphone Services, Inc. with its principal place of business located at 9300 Metcalf Avenue, Overland Park, KS ("Contractor").

WITNESSETH:

WHEREAS, on December 16, 2007, KDOC and Contractor entered into an Agreement for Inmate Telephone Service ("Agreement") under which Contractor agreed to install and operate prison inmate telephones, related equipment and additional/optional services further described in Section II upon the premises of KDOC's Facilities; and,

WHEREAS, the parties have determined that the Agreement requires Amendment,

NOW, THEREFORE, in consideration of the mutual covenants herein, and other good and valuable consideration, KDOC and Contractor (through its subcontractor, JPay Inc.) hereby agree as follows:

- 1. **Attachment D**, Contractor Responsibilities for Kiosk Features and Functionalities and Related Applications, and **Attachment E**, Required Equipment, Transaction Fees and Compensation, are hereby added to the Agreement.

RECEIVED
2009-01-10
DIVISION OF PRISONS
-5

ATTACHMENT D

**CONTRACTOR RESPONSIBILITIES FOR KIOSK FEATURES AND
FUNCTIONALITIES AND RELATED APPLICATIONS**

I. General Requirements

- A. Contractor will provide all services described in this Amendment through its subcontractor, JPay, Inc. ("JPay").

EXHIBIT C

**AGREEMENT 06-015
FOR INMATE CALLING SERVICES (ICS) TELECOMMUNICATIONS SERVICES**

This Agreement is effective on June 1, 2007, and is entered into by and between the State of Iowa, Iowa Department of Corrections (DOC) and Public Communications Services, Inc. (PCS).

WHEREAS, PCS desires to provide service to the DOC with the support of provisioning of telecommunications services to inmates (Inmate Calling) in the correctional institutions of the Iowa Department of Corrections (DOC) provided by the Iowa Telecommunications and Technology Commission operating the Iowa Communications Network (ICN), pursuant to an agreement between DOC and the ICN; and

WHEREAS, DOC desires to use the services of PCS to support the ICN's provisioning of Inmate Calling to the DOC, where such PCS services are appropriate and where the parties have agreed to the provision of such services; and

WHEREAS, the parties desire to set forth a framework for the provisioning of such services by PCS and the payment therefore by the ICN; and

WHEREAS, the DOC has requested the assistance of the ICN in negotiating and administration the Agreement with PCS;

NOW, THEREFORE, in the consideration of the mutual covenants contained in this Agreement, the sufficiency of which is acknowledged, DOC and PCS agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Iowa Department of Corrections is an agency of the State of Iowa and is responsible for the management, and operation of the State of Iowa prison system. DOC's principal office address is 510 East 12th Street, Des Moines, Iowa 50319.

1.2 Public Communications Services is a California corporation organized under the laws of the state of California and is authorized to do business in the State of Iowa. PCS's Address is 11859 Wilshire Blvd., Suite 600, Los Angeles, CA 90025.

SECTION 2. TERM. The term of this Agreement shall commence on the effective date of the Agreement and continue for three (3) years from the service start date of October 1, 2007. Upon mutual agreement of PCS, DOC and the ICN the Agreement may be renewed upon the same terms and conditions for three (3) additional one-year (1 year) periods.

2.1 At the end of the service term or any renewals provided for above, the ICN may extend the Agreement on a month-to-month basis for up to six months to ensure the ICN and DOC retain an operational system at all times. PCS shall agree to this possible extension at the same rates and terms as agreed to in the previously agreed to contract term.

SECTION 3. DOCUMENTS INCORPORATED BY REFERENCE.

3.1 **Incorporation of Bid Proposal Documents.** The Request for Proposal RFP #06-015 for Inmate Calling System (RFP), and PCS Bid Proposal in response to the RFP together with any clarifications, attachments, appendices, amendments or other writings of the ICN or PCS (collectively "Bid Proposal") are incorporated into this Agreement by this reference as if fully set forth in the Agreement, except that no objection or amendment by PCS to the RFP requirements shall be incorporated by reference into the Agreement unless the ICN has explicitly accepted PCS's objection in writing.

**Amendment 1
ICN Contract 06-015**

THIS AMENDMENT is made by and between the IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION operating the Iowa Communications Network (collectively, ICN) and on behalf of the Iowa Department of Corrections (DOC), and PUBLIC COMMUNICATIONS SERVICES, INC. (PCS). In consideration of the mutual promises herein made, ICN and PCS agree as follows:

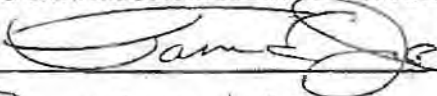
SECTION 1. PURPOSE OF AMENDMENT. DOC has identified the need for an additional T1 interface at the DOC Oakdale location. The parties intend to amend the Scope of Services section of the Agreement to add the following:

Effective October 1, 2007, PCS will invoice ICN \$800/month for an additional T1 interface at the DOC Oakdale location which revises the monthly invoice amount for the Inmate Calling System to \$42,800.00. This monthly invoice total covers all costs for 21 T1 interfaces.

SECTION 2. AMENDMENT ALLOWED. Sections 5.3 and 20.3 of the Agreement provide for amendments with mutual written consent of the parties.

SECTION 3. EXECUTION. In full consideration of the mutual covenants set forth above and for other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties have entered into this Amendment and have caused their duly authorized representatives to execute this Amendment. All previous terms and conditions of the Agreement shall remain in full force and effect except as modified by this Amendment.

PUBLIC COMMUNICATION SERVICES, INC.

By: 

Title: President & COO

Date: 9/12/07

**IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION Operating the
IOWA COMMUNICATIONS NETWORK**

By: 

Title: ICN CONTRACTING OFFICER

Date: 9-13-07

Amendment 2
ICN Contract 06-015

THIS AMENDMENT is made by and between the IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION operating the Iowa Communications Network (collectively, "ICN") and on behalf of the Iowa Department of Corrections ("DOC"), and PUBLIC COMMUNICATIONS SERVICES, INC. ("PCS"). In consideration of the mutual promises herein made, ICN and PCS agree as follows:

SECTION 1. PURPOSE OF AMENDMENT.

A) The Parties shall exercise a one year Agreement renewal. The renewal term shall start October 1, 2010, and end September 30, 2011. The Agreement may be extended with mutual written consent for three additional one-year periods.

B) Attachment A, Scope of Services, is amended as follows effective September 7, 2010:
PCS escalation contact information listed in Section 10 is deleted in its entirety and replaced with the following:

Escalation to PCS

ICN- Inmate Calling Service - Change/Information

This service is provided from 0800 to 1630 weekdays.

Issues that go beyond the Target Date are escalated internally for direction.

ICN-Inmate Calling Service - Incident

This service is provided 24 hour a day / 7 Days a week. Support Requests for Incident Resolution will be worked according to the following standards:

ICNSP 2030 - Service Desk Support Request Management

ICNSP 2002 - Operations Notification and Escalation

If the Target Date is exceeded on an Incident Resolution Support Request, the following contacts shall be made until a satisfactory result is obtained- (24 hours a day / 7 Days a week). If at any time there are questions on an escalation, the ICN Service Desk should escalate internally for support.

1. One hour past the Target Date:

Technical Services Supervisor, Matthew McFalls

Direct Line: (817) 491-5163

Cell Phone: (424) 832-4787

2. Two hours past the Target Date:

Field Service Manager-East Coast, Maureen O'Gorman

Direct Line: (910) 646-3177

Cell Phone: (603) 738-4555

3. Three hours past the target Date:
Manager of Technical Services, George McNitt
Direct Line: (817) 491-5160

4. Four hours past the target Date:
Vice President of Operations, Doyle Schaefers
Direct Line: (800) 350-1000, x 3027
Cell Phone: (310) 600-6433

5. Five hours past the Target Date:
Chief Operating Officer, Tommie Joe
Direct Line: (800) 350-1000, x 3037
Cell Phone: (310) 922-3037

6. Six hours past the Target Date:
Chief Executive Officer, Paul Jennings
Direct Line: (800) 350-1000, x 3101
Cell Phone: (310) 600-3540

C) Section 26 is deleted in its entirety and replaced with the following:

26. **Contract Costs.** Pertaining to this Agreement 06-015.

- 1) Fixed monthly cost to lease a turnkey system: **\$42,800.00**
Detail of cost components that are included in the monthly cost:

Fixed Monthly Cost Detail:

| | |
|----------------------|----------|
| Equipment Rental | \$11,950 |
| Site Administrator** | \$ 3,250 |
| MPLS | \$ 500 |
| Platform Charges | \$26,300 |

- 2) Monthly variable costs:

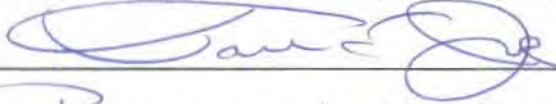
| | |
|------------------------------|--|
| Hardware: | \$800/month for every additional T-1 port added |
| Software: | All upgrades included in Platform Charges |
| Billing/ Invoicing Services: | Cost for debit services included in Platform charges |
| Per call Fees: | \$0.31 per completed call over 60,000 |
| Administration: | Included in Platform Charges |

- 3) There shall be no other charges and/or other costs or fees associated with this Agreement.


SECTION 2. AMENDMENT ALLOWED. Sections 5.3 and 20.3 of the Agreement provide for amendments with mutual written consent of the parties.

SECTION 3. EXECUTION. In full consideration of the mutual covenants set forth above and for other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties have entered into this Amendment and have caused their duly authorized representatives to execute this Amendment. All previous terms and conditions of the Agreement shall remain in full force and effect except as modified by this Amendment.

PUBLIC COMMUNICATION SERVICES, INC.

By: 
Title: President & COO
Date: 10/1/10

IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION
Operating the IOWA COMMUNICATIONS NETWORK

By: 
Title: ICN CONTRACTING OFFICER
Date: 9-28-10

**Amendment 3
ICN Agreement 06-015**

THIS AMENDMENT is made by and between the IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION operating the Iowa Communications Network (collectively, "ICN") and on behalf of the Iowa Department of Corrections ("DOC"), and Public Communications Services, Inc. ("PCS"). In consideration of the mutual promises herein made, ICN and PCS agree as follows:

SECTION 1. PURPOSE OF AMENDMENT. The Parties hereby agree to amend the Agreement as follows:

A) Section 2. Term is amended to provide a month to month renewal option.

B) Effective October 1, 2011, the Agreement shall automatically renew on a month to month basis unless terminated according to Section 14. The automatic month to month extensions shall not extend the term of the Agreement beyond September 30, 2013.

SECTION 2. AMENDMENT ALLOWED. Sections 5.3 and 20.3 of the Agreement provide for amendments with mutual written consent of the parties.

SECTION 3. EXECUTION. In full consideration of the mutual covenants set forth above and for other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties have entered into this Amendment and have caused their duly authorized representatives to execute this Amendment. All previous terms and conditions of the Agreement shall remain in full force and effect except as modified by this Amendment.

PUBLIC COMMUNICATIONS SERVICES, INC.

By: 

Jeffrey B. Haidinger

Title: President, Services

Date: 2/6/12

**IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION
Operating the IOWA COMMUNICATIONS NETWORK**

By: 

Title: Executive Director

Date: 2-3-12

**FIRST AMENDMENT TO
CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED
SERVICES
DOC FILE NO.1000-PHONE2006**

THIS FIRST AMENDMENT TO CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED SERVICES, DOC File No. 1000-Phone2006, dated Dec 5, 2007 ("Amendment"), amends and revises that certain Contract, DOC File No. 1000-Phone2006 (the "Contract"), dated February 10, 2006, by and between Massachusetts Department of Correction, with an address at 50 Maple Street, Suite 3, Milford, MA 01757 ("MA DOC"), and Global Tel*Link Corporation, a Delaware corporation having its principal place of business at 2609 Cameron Street, Mobile, AL 36607 ("GTL").

MA DOC and GTL hereby agree to amend and revise the Contract as follows:

A new Section 5.13.7.1 is added to the Contract to provide for the establishment of calling rates and commission rates for domestic prepaid debit calling.

Section 5.13.7.1 Domestic Prepaid Debit Calling:

- A. Commission: The MA DOC's adjusted commission rate for inmate debit calling, both domestic and international, will be twenty percent (20%) of gross billable inmate debit revenue, commencing on December 1st, 2007.
- B. Call Rate-Domestic: The adjusted call rate for inmate domestic debit calling will be twenty-five percent (25%) off the collect call rate as indicated in the table below.
- C. Call Rate-International: The adjusted call rate for inmate international debit calling will be twenty-five percent (25%) off the current international voucher debit rate, which is indicated in the attached MA DOC international rate chart.

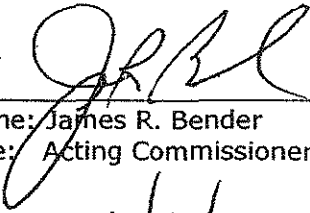
Except as set forth above, there is no other revision or amendment to the Contract or the obligations of MA DOC and GTL, and the Contract remains in full force and effect.

[[Signature Page Follows]]

12 DEC '07 3:30PM

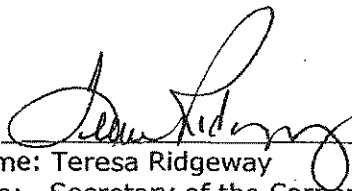
IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed this Amendment as of the date first written above, which is entered by the second party to sign.

**MASSACHUSETTS DEPARTMENT
OF CORRECTION**

By: 
Name: James R. Bender
Title: Acting Commissioner

Date: 11/20/07

GLOBAL TEL*LINK CORPORATION

By: 
Name: Teresa Ridgeway
Title: Secretary of the Corporation

Date: 12/05/07

**SECOND AMENDMENT TO
CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED
SERVICES
DOC FILE NO. 1000-PHONE2006**

THIS SECOND AMENDMENT TO CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED SERVICES DOC File No.1000-Phone2006, dated October, 2009, ("Second Amendment"), amends and revises that certain Contract between the Massachusetts Department of Correction, with an address at 50 Maple Street, Suite 3, Milford, MA 01717 ("MA DOC") and Global Tel*Link Corporation, a Delaware corporation, having its principle place of business at 2609 Cameron Street, Mobile, AL 36607 ("GTL").

MA DOC and GTL hereby agree to amend and revise the Contract as follows:

Section 5.13.7.1 in Amendment #1 is amended to replace subsection A with:

A. Commission: The MA DOC adjusted commission rate for inmate debit calling, both domestic and international shall be 18.5% of gross billable inmate debit revenue. The MA DOC adjusted commission rate for collect calls & Advance Pay collect calls is 33.5%. These adjustments in commission rates will commence on the November, 2009 billing cycle.

Subsection B is replaced with:

B. Call Rate-Domestic shall be in accordance with Attachment A.

Section 2.20 is amended to include the statement:

"Pursuant to the exercise of the first of three one (1) year renewal options, the current expiration date of the Contract shall be March 2, 2011."

All other terms and conditions of the Standard Contract between GTL and the DOC remain in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed this Amendment as of the date first written above, which is entered by the second party to sign.

Global Tel*Link Corporation

Massachusetts Department of Corrections

By: _____
Jeffrey B. Haidinger
President, Services

By: _____
Peter Macchi.
Director Administrative Services
Division

**THIRD AMENDMENT TO
CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED
SERVICES
DOC FILE NO. 1000-PHONE2006**

THIS THIRD AMENDMENT TO CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED SERVICES DOC File No.1000-Phone2006, dated September 9, 2010, ("Third Amendment"), amends and revises that certain Contract between the Massachusetts Department of Correction, with an address at 50 Maple Street, Suite 3, Milford, MA 01717 ("MA DOC") and Global Tel*Link Corporation, a Delaware corporation, having its principle place of business at 2609 Cameron Street, Mobile, AL 36607 ("GTL").

MA DOC and GTL hereby agree to amend and revise the Contract as follows:

Section 5.13.7.1 in Amendment #2 is amended to replace subsection A with:

- A. Commission: The MA DOC adjusted commission rate for inmate debit calling, both domestic and international shall be 15% of gross billable inmate debit revenue, commencing on the October 2010 billing cycle. The MA DOC adjusted commission rate for collect calls & Advance Pay collect calls is 30%.

Subsection C is replaced with:

- C. Call Rate-International shall be in accordance with Attachment A.

Section 2.20 is amended to include the statement:

"Pursuant to the exercise of the second (2) of three one (1) year renewal options, the current expiration date of the Contract shall be March 2, 2012."

All other terms and conditions of the Standard Contract between GTL and the DOC remain in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed this Amendment as of the date first written above, which is entered by the second party to sign.

Global Tel*Link Corporation

Massachusetts Department of Corrections

By: _____


Jeffrey B. Haidinger
President, Services

By: _____


Kyra Silva
Director, Administrative Services
Division

**FOURTH AMENDMENT TO
CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED
SERVICES
DOC FILE NO. 1000-PHONE2006**

THIS FOURTH AMENDMENT TO THE CONTRACT FOR A SECURE INMATE CALLING SYSTEM AND RELATED SERVICES DOC File No. 1000-Phone2006, dated October 14, 2011, ("Fourth Amendment"), amends and revises the Contract between the Massachusetts Department of Correction, with an address at 50 Maple Street, Suite 3, Milford, MA 01717 ("MA DOC") and Global Tel*Link Corporation, a Delaware corporation, having its principle place of business at 2609 Cameron Street, Mobile, AL 36607 ("GTL").

MA DOC and GTL hereby agree to amend and revise the Contract as follows:

Section 2.20 is amended to include the statement:

"Pursuant to the exercise of the third (3) and final of three one (1) year renewal options, the current expiration date of the Contract shall be March 2, 2013."

All other terms and conditions of the Standard Contract between GTL and the DOC remain in full force and effect.

Current inmate domestic debit and collect calling rates are attached.

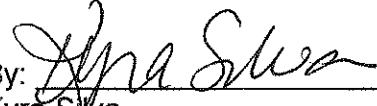
IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed this Amendment as of the date first written above, which is entered by the second party to sign.

Global Tel*Link Corporation

By: 

Jeffrey B. Haidinger
President, Services

Massachusetts Department of Corrections

By: 

Kyra Silva
Director, Administrative Services
Division

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VIRGINIA 23225**

CONTRACT #DOC-05-005

This contract entered into this 18th day of October 2005, by MCI Worldcom Communications Services, Inc. hereinafter called the “Contractor or MCI” and the Commonwealth of Virginia, on behalf of the Virginia Department of Corrections and the Department of Juvenile Justice, hereinafter called “DOC, DJJ or DOC/DJJ.”

WITNESSETH that the Contractor and the Department, in consideration of the mutual covenants, promises and agreements herein contained, agree as follows:

SCOPE OF CONTRACT: The Contractor shall provide the Services to the Purchasing Agency as set forth in the Contract Documents.

PERIOD OF PERFORMANCE: January 1, 2006 through December 31, 2007 and renewable for six (6) one-year periods.

The contract documents shall consist of:

1. This signed Contract including the attached Memorandum of Understanding, Attachment 1: General Terms and Conditions, Attachment 2: Special Terms and Conditions, and Attachment 3: Negotiated Service Terms and Conditions;
2. The Request for Proposal # DOC-05-005 dated August 20, 2004 sections and attachments as follows: Section II: Minority Participation, Section III: Statement of Needs, Attachment B: Minority Participation, Attachment D: Security Standards, Attachment E: Telephone Count - DOC, and Attachment G: Telephone Count – DJJ; and
3. The Contractor’s Proposal dated November 15, 2004

To the extent that the terms of the contract documents as listed above are in conflict, the specific provisions as stated in this Contract, Memorandum of Understanding and Attachments 1, 2 and 3 shall prevail. Other contract documents listed in #2 and #3 above shall take precedence based upon the order in which they are listed.

IN WITNESS WHEREOF, the parties have caused this Contract to be duly executed intending to be bound thereby.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|------------|------------|
| Signature: | Signature: |
| Title: | Title: |
| Date: | Date: |

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: January 19, 2006

Contract Number: DOC-05-005

Modification Number: 001

Issued By: Department of Corrections
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: MCI Worldcom Communications Services, Inc.
1945 Old Gallows Road
Vienna, Virginia 22182

Commodity: Inmate Telephone Services

This contract modification is entered into pursuant to Contract Attachment 1 section K.of the Contract.

Description of Modification:

1. Section II: Call Fees and Surcharge Rates shall be deleted in its entirety and shall be replaced with the following:

The Contractor shall offer rates that do not exceed dominant inter-exchange carrier rates or dominant local exchange carrier rates or local state tariff rates, when applicable and shall utilize a least cost routing system to minimize costs to inmates. No additional charge for services shall be added to the cost of a call placed by an inmate. With the exception of applicable taxes, no additional charge for service shall be added to the cost of a call placed by an inmate. The Contractor will provide the DOC/DJJ with written notice of pending rate changes thirty (30) days prior to the rate change. The Contractor will provide the Purchasing Agency with written notice of pending rate changes thirty (30) days prior to the rate change. In addition, the Contractor will provide the Purchasing Agency a copy of the draft tariff on the date of execution of the contract. The Contractor will provide the DOC/DJJ Contract Administrators a copy of all relevant tariffs filed after contract execution within ten (10) days of the effective date of the tariff.

The Collect Call and Prepay rates and surcharges shall be as follows for all calls (Local, Intralata, Interlata and Interstate) made using the inmate phone system:

Collect Call Payment Option

| | <u>Rate Per Minute</u> | <u>Surcharge</u> |
|-------------------|------------------------|------------------|
| Local | — | \$1.00 |
| Intralata | \$0.15 | \$1.50 |
| Interlata | \$0.25 | \$2.25 |
| Interstate | \$0.43 | \$2.40 |

Prepaid Call Payment Option

| | <u>Rate Per Minute</u> | <u>Surcharge</u> |
|-------------------|------------------------|------------------|
| Local | — | \$0.90 |
| Intralata | \$0.14 | \$1.25 |
| Interlata | \$0.23 | \$1.75 |
| Interstate | \$0.40 | \$2.40 |

Prepay Payment Option:

The Prepay payment option is a new payment option in the Commonwealth of Virginia's Inmate Telephone System. The Contractor shall be fully responsible for the administration of the prepay program to include but not limited to: providing materials detailing operations of the prepay payment option to all DOC/DJJ facilities to be made available to inmates and families & friends of inmates; and collection of all prepay funds and monitoring of prepay accounts.

The Prepay payment option will allow families and friend of inmates to set-up a prepaid account with the Contractor. Once a prepaid account is set-up, an inmate may only call the party named on the prepay account and a deduction will be made against available funds in the prepay account. When funds in the prepaid account are depleted, the Contractor will notify the account holder.

These rates and payment options shall go into effect February 1, 2006.

2. Section III of the Contract shall be amended to reflect that the Commission rate shall be amended effective February 1, 2006, whereby the Commission Rate shall be 35% of Commissionable Revenue.
3. Section I. H. 1. of the Contract shall be amended such that the DOC call limit is increased for fifteen (15) minutes to twenty (20) minutes effective February 1, 2006.

Except as provided herein, all terms and conditions of Contract DOC-05-005, dated October 18, 2005 shall remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|-----|-----|
| BY: | BY: |
| | |

| | |
|--------|--------|
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: November 15, 2007

Contract Number: DOC-05-005

Modification Number: 002

Issued By: Department of Corrections
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Section IV., Paragraph O., of the Contract.

Description of Modification:

1. Whereas the Commonwealth desires to renew the performance period of the contract; now therefore it is agreed that the contract performance period shall be renewed from January 1, 2008 through December 31, 2008.
2. Reference letter dated March 2, 2007; effective November 7, 2006, Global Tel*Link Corporation acquired certain assets and operations from MCI Communications Services, Inc. including the business of providing managed telecommunication services to inmates.
3. Reference pgs. 42-44, attachment 3, assigned staff; replace in its entirety with the following :

GTL Virginia DOC Account Management Team

Name: Mr. Jeff Haidinger
Job Responsibility: GTL President of Services
Location: Reston, VA
Tenure: Over 29 years experience in Telcom sales and business development. Jeff has been with GTL for over 2 years.

Name: Mr. Tom Sweeney
Job Responsibility: GTL Senior Vice President of Sales
Location: Boiling Springs, SC

DOC-05-005 Inmate Phone Services

Tenure: Over 29 years experience in the telcom and corrections market. Tom has been with GTL for over 2½ years.

Name: Mr. Tim Miller
Job Responsibility: Area Sales Director – Eastern Region
Location: Jackson, NJ

Tenure: Over 27 years experience in the telcom and corrections market. Tim has been with GTL for over 2½ years

Name: Mr. Jim Beamer
Job Responsibility: Virginia DOC Account Executive
Location: Reston, VA

Tenure: Over 17 years in the computer and telcom markets. Jim has been an Account Executive with GTL for over 3 years

Name: Mr. Pat Pline
Job Responsibility: Director Northeast Field Service
Location: Albany, NY

Tenure: Over 22 years with MCI. Pat has been a Director with GTL since July 2007.

Dedicated GTL On-Site Support

Name: Mr. Tom Zidar
Job Responsibility: GTL Field Service Manager and VA DOC project Manger
Location: DOC Headquarters, Richmond VA

Tenure: Over 7 years with MCI and 30 years in the Telcom industry. Tom has been a Field Service Manager with GTL since July 2007.

Except as provided herein, all terms and conditions of contract DOC-05-005, dated October 18, 2005, and Modification 001, dated January 19, 2006, as heretofore changed, remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|--------|--------|
| BY: | BY: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: August 27, 2008

Contract Number: DOC-05-005

Modification Number: 003

Issued By: Department of Corrections
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Section IV., Paragraph O. and Section V., Paragraph P., of the Contract.

Description of Modification:

Whereas the Commonwealth desires to renew the performance period of the contract; now therefore it is agreed that the contract performance period shall be renewed from January 1, 2009 through April 30, 2009.

Except as provided herein, all terms and conditions of contract DOC-05-005, dated October 18, 2005, Modification 001, dated January 19, 2006, and Modification 002 dated November 15, 2007, as heretofore changed, remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|--------|--------|
| BY: | BY: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

DOC-05-005 Inmate Phone Services

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: December 15, 2008

Contract Number: DOC-05-005

Modification Number: 004

Issued By: Department of Corrections
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Section IV., Paragraph O. and Section V., Paragraph P., of the Contract.

Description of Modification:

Whereas the Commonwealth desires to renew the performance period of the contract; now therefore it is agreed that the contract performance period shall be renewed from May 1, 2009 through August 31, 2009.

Except as provided herein, all terms and conditions of contract DOC-05-005 dated October 18, 2005, Modification 001 dated January 19, 2006, Modification 002 dated November 15, 2007, and Modification 003 dated August 27, 2008, as heretofore changed, remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|--------|--------|
| BY: | BY: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

DOC-05-005 Inmate Phone Services

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: February 12, 2009

Contract Number: DOC-05-005

Modification Number: 005

Issued By: Department of Corrections
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Memorandum of Understanding, Attachment 2, Paragraph J. of the Special Terms and Conditions of the Contract.

Description of Modification:

Whereas the Commonwealth desires to renew the performance period of the contract; now therefore it is agreed that the contract performance period shall be renewed from September 1, 2009 through December 31, 2009.

Except as provided herein, all terms and conditions of contract DOC-05-005 dated October 18, 2005, Modification 001 dated January 19, 2006, Modification 002 dated November 15, 2007, Modification 003 dated August 27, 2008, and Modification 004 dated December 15, 2008, as heretofore changed, remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|--------|--------|
| BY: | BY: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

DOC-05-005 Inmate Phone Services

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: December 22, 2009

Contract Number: DOC-05-005

Modification Number: 006

Issued By: Department of Corrections (DOC)
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link (GTL)
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Memorandum of Understanding, Attachment 1, Paragraph K. of the General Terms and Conditions and Attachment 2, Paragraph J. of the Special Terms and Conditions.

Description of Modification:

1. Whereas the Commonwealth desires to renew the performance period of the contract; now therefore it is agreed that the contract performance period shall be renewed from January 1, 2010 through December 31, 2013.
2. Effective January 1, 2010:
 - a. GTL (the Contractor) agrees to fund a minimum of \$150,000 annually, or \$600,000 in advance, towards DOC technology initiatives.
 - b. If the Contractor receives annual revenue exceeding \$13,000,000 from the DOC, the Contractor will increase the technology funding to the DOC, by February 28 of the subsequent year (2/28/11, 2/28/12, 2/28/13, and 2/28/14), as listed below:

| Supplemental Technology Funding | |
|--|--|
| If Total Revenue Per Year is Greater Than: | Supplemental Technology Funding Available at the Beginning of Each Year: |
| \$13,000,000 | \$100,000 |
| \$13,500,000 | \$150,000 |
| \$14,000,000 | \$200,000 |
| \$14,500,000 | \$250,000 |
| \$15,000,000 | \$300,000 |

- c. The DOC will identify and notify GTL of the technology initiative(s), and GTL will pay all resulting invoices associated with the technology initiative(s), providing the amount does not exceed the above funding formula.
3. Effective on, or before, February 28, 2010:
- a. The Contractor and the DOC will allow phone calls to cellular phones in accordance with DOC Procedure 803.3.
 - b. The Contractor and the DJJ will allow phone calls to cellular phones in accordance with DJJ procedures.
 - c. The Contractor and the DOC will allow debit calling at the below rates and in accordance with DOC procedures.

| | Debit Call Payment Option | |
|-------------------|----------------------------------|------------------|
| | Rate Per Minute | Surcharge |
| Local | - | \$0.90 |
| Intralata | \$0.14 | \$1.25 |
| Interlata | \$0.23 | \$1.75 |
| Interstate | \$0.40 | \$2.40 |

Except as provided herein, all terms and conditions of contract DOC-05-005 dated October 18, 2005, Modification 001 dated January 19, 2006, Modification 002 dated November 15, 2007, Modification 003 dated August 27, 2008, and Modification 004 dated December 15, 2008, as heretofore changed, remain unchanged and in full force and effect.

| CONTRACTOR: | PURCHASING AGENCY: |
|-------------|--------------------|
| BY: | BY: |
| NAME: | NAME: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

**DEPARTMENT OF CORRECTIONS
6900 ATMORE DRIVE
RICHMOND, VA 23225**

CONTRACT MODIFICATION AGREEMENT

Date: March 16, 2012

Contract Number: DOC-05-005

Modification Number: 007

Issued By: Department of Corrections (DOC)
Procurement and Risk Management
6900 Atmore Drive
Richmond, VA 23225

Contractor: Global Tel*Link (GTL)
12021 Sunset Hills Road, Suite 100
Reston, Virginia 20190

Commodity: Inmate Phone Services

This contract modification is entered into pursuant to Memorandum of Understanding, Attachment 1, Paragraph K, of the General Terms and Conditions.

Description of Modification:

Effective April 1, 2012:

1. GTL and the DOC agree to allow debit calling via the GTL online e-commerce web site and telephone Interactive Voice Response (IVR) system. Deposits of funds into an inmate's trust fund account that are made by a credit card transaction originated via web payment or any other payment method will be processed by GTL as the authorized agent of the DOC. In its capacity as agent, GTL will:
 - a. Process credit card funds for transfer to the applicable inmate trust account established and maintained by the DOC via Automated Clearing House (ACH); and
 - b. Operate the systems or software managing the inmate trust funds. Money applied to the inmate debit account shall be made in increments of \$10.00.
2. Credit card transactions processed via the GTL web payment option (Debit II) will be charged standard GTL fees to cover such items as credit card charge-backs and credit card usage fees. Standard GTL credit card fees are listed below:

| Transaction Amount | | | |
|---------------------------|----------------|------------------|------------|
| # | Low End | Upper End | Fee |
| 1 | \$0.00 | \$25.00 | \$3.75 |
| 2 | \$25.00 | \$50.00 | \$4.50 |
| 3 | \$50.01 | \$100.00 | \$5.75 |
| 4 | \$100.01 | \$150.00 | \$7.25 |
| 5 | \$150.01 | \$200.00 | \$8.50 |

Except as provided herein, all terms and conditions of contract DOC-05-005 dated October 18, 2005, as heretofore changed, remain unchanged and in full force and effect.

CONTRACTOR:

PURCHASING AGENCY:

| | |
|--------|--------|
| BY: | BY: |
| NAME: | NAME: |
| TITLE: | TITLE: |
| DATE: | DATE: |

Note: This public body does not discriminate against faith-based organizations in accordance with the Code of Virginia, §§2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

EXHIBIT D

AFFIDAVIT

I, Beverly Chorbajian, Esq., do hereby affirm that:

1. I am a lawyer duly licensed to practice law in the Commonwealth of Massachusetts. My mailing address is 390 Main St., Suite 659, Worcester, MA 01608.
2. I represent and receive telephone calls from clients who are incarcerated in state and county correctional facilities in the Commonwealth. I requested and utilize collect and/or direct bill telephone service with Global Tel*Link (GTL) and Evercom Systems, Inc. (Evercom) (or affiliates) so that I can communicate with my incarcerated clients by telephone. I am the customer of record on accounts with GTL and Evercom and am responsible for paying for the telephone services they render to me .
3. My office receives between 25 and 35 telephone calls per week from clients in Massachusetts correctional institutions. Approximately one-third of the calls are from county institutions serviced by Evercom and two-thirds are from clients in state institutions serviced by GTL.
4. I conservatively estimate that half the calls we receive from correctional institutions have poor reception and that one out of five calls are dropped prematurely. The calls dropped by Evercom every month are almost all preceded by a recorded message that the system detected an attempt to add a third party. Neither I nor anyone in my office has ever attempted to add a third party or forward a call from an incarcerated client.

Signed under the penalties of perjury this 4 day of May, 2010.

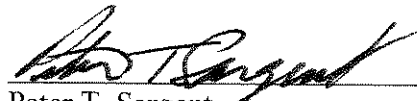

Beverly Chorbajian

AFFIDAVIT

I, Peter T. Sargent, Esq., do hereby affirm that:

1. I am a lawyer duly licensed to practice law in the Commonwealth of Massachusetts. My mailing address is P.O. Box 425, Gardner, MA 01440.
2. I represent and receive telephone calls from clients who are incarcerated in state and county correctional facilities in the Commonwealth. I requested and utilize collect and/or direct bill telephone service with Global Tel*Link (GTL) and Evercom Systems, Inc. (Evercom) (or affiliates) so that I can communicate with my incarcerated clients by telephone. I am the customer of record on accounts with GTL and Evercom and am responsible for paying for the telephone services they render to me.
3. I have two ongoing problems with prisoner telephone calls. First, every other month or so I get a call from a county institution answered by my assistant and put on hold that is terminated when I pick up the receiver. The system appears to perceive this as a third-party call. Second, clients at county institutions have told me that they cannot get through to me with collect calls in months when I have run over some preset spending limit. I am given no warning of the cut-off before it happens, and am not offered an opportunity to pay off any balance to make it possible to receive more calls.

Signed under the penalties of perjury this 29th day of April, 2010.

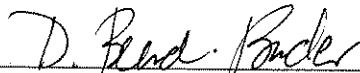

Peter T. Sargent

AFFIDAVIT

I, Debra Beard-Bader, Esq., do hereby affirm that:

1. I am a lawyer duly licensed to practice law in the Commonwealth of Massachusetts. I am the attorney in charge of the Alternative Commitment Unit of the Committee for Public Counsel Services (CPCS). Our mailing address is 144 Main St., 4th floor, Brockton, MA 02301.
2. This office represents and receives telephone calls from clients who are incarcerated in state correctional facilities in the Commonwealth. Approximately 95% of the calls come from the Massachusetts Treatment Center operated by the Massachusetts Department of Correction. Global Tel*Link provides telephone service that allows us to receive telephone calls from clients incarcerated at the Treatment Center. CPCS is the customer of record for GTL telephone call charges.
3. On average this office receives 300 calls per month. Approximately 15-20% of the calls have too much static to hear the other party. Also, there are occasions when there is feedback or an echo, when what the speaker says is echoed back after a very slight delay. This also interferes with conversations. In addition, about 10% of the calls we receive are cut off when we press "0" to answer the call.

Signed under the penalties of perjury this 21 day of April, 2010.



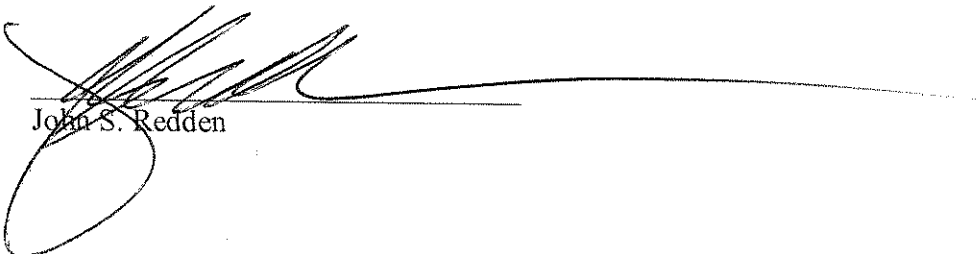
Debra Beard-Bader

AFFIDAVIT

I, John S. Redden, Esq., do hereby affirm that:

1. I am a lawyer duly licensed to practice law in the Commonwealth of Massachusetts. I am the attorney in charge of the Brockton Superior Trial Unit of the Committee for Public Counsel Services. Our mailing address is 144 Main St., 4th floor, Brockton, MA 02301.
2. This office represents and receives telephone calls from clients who are incarcerated in state and county correctional facilities in the Commonwealth. The office utilizes collect call telephone services provided by Global Tel*Link (GTL) and Evercom Systems, Inc. (Evercom) (or affiliates) that allow our incarcerated clients to call us. CPCS is the customer of record on the GTL and Evercom telephone accounts.
3. This office receives approximately 450 telephone calls from incarcerated individuals each month. Approximately 10% of those calls come from individuals in DOC facilities, and approximately 90% come from individuals in county facilities. We estimate that one call per week from state facilities have bad connections and are hard to hear, and approximately three calls per week from county facilities have the same problem.

Signed under the penalties of perjury this 5th day of May, 2010.




John S. Redden

AFFIDAVIT

I, Patricia C. Voorhies, do hereby affirm that:

1. I am the Managing Director of Clinical and Experiential Education at Northeastern University School of Law. Our mailing address is 360 Huntington Ave., Boston, MA 02115.
2. The Prisoners' Rights Clinic (the Clinic) represents and receives telephone calls from clients who are incarcerated in state correctional facilities in the Commonwealth operated by the Massachusetts Department of Correction. The Clinic utilizes collect call telephone services provided by Global Tel*Link (GTL) that allow our incarcerated clients to call the Clinic. Northeastern University is the customer of record on the GTL telephone account. Calls are broken out by "budget centers," including the Clinic. The Clinic is responsible for payment of the calls billed to it including prisoner-initiated calls.
3. This office receives approximately 40-50 telephone calls from incarcerated individuals each week. On the main telephone line, which receives 30-40 calls per week, it is frequently very difficult to hear what the prisoner is saying unless he or she shouts. On the second line to the clinic administrator, with about 10 calls per week, about one-in-ten calls have other voices on the line, static or echoes.

Signed under the penalties of perjury this 3rd day of May, 2010.



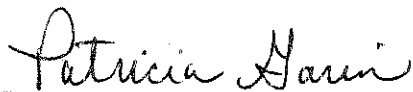
Patricia C. Voorhies

AFFIDAVIT

I, Patricia Garin, Esq., do hereby affirm that:

1. I am a lawyer duly licensed to practice law in the Commonwealth of Massachusetts. I am a partner in the law firm Stern Shapiro Weisberg & Garin, LLP. Our mailing address is 90 Canal St., Boston, MA 02114.
2. The firm represents and receives telephone calls from clients who are incarcerated in state and county correctional facilities in the Commonwealth. We requested and utilize collect and/or direct bill telephone service with Global Tel*Link (GTL) and Evercom Systems, Inc. (Evercom) (or affiliates) so that we can communicate with our incarcerated clients by telephone. Stern Shapiro Weisberg & Garin LLP is the customer of record on accounts with GTL and Evercom. The firm is responsible for paying for the telephone services rendered by these providers to us.
3. Our office receives between approximately 40 and more than 75 telephone calls per month from clients in Massachusetts correctional institutions. The number of calls depends on the number of incarcerated clients and the status of legal proceedings, among other factors. We receive from 30 to more than 60 calls per month from state correctional institutions serviced by GTL. We receive from 10 to 15 calls per month from county correctional facilities serviced by Evercom.
4. The sound quality of telephone calls received from incarcerated clients varies. For calls received in the office from clients in state correctional institutions, I estimate that one in every six or seven calls had a connection or reception problem. But connection problems with calls from incarcerated clients that I received at home on my personal cellular phone were markedly worse: at least one call in three received at home had a terrible connection and was hard to hear versus one in six or seven problem calls in the office.
5. With respect to dropped or cut-off calls, I had a similar experience: calls at home on my personal cellular phone from incarcerated clients in state correctional institutions were much more likely to be dropped or cut-off prematurely than calls received at the office. Very few calls are dropped or prematurely cut off in the office. But calls received on my personal phone at home were frequently dropped, generally preceded by a message that an attempt to make a three-way call was detected. I never attempted to add a third party to such a call nor did I ever attempt to forward such a call to a third party.

Signed under the penalties of perjury this 30th day of April, 2010.



Patricia Garin

EXHIBIT E

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COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND CABLE

DOCKET NO.: DTC11-16

* * * * *

PETITION OF RECIPIENTS OF COLLECT CALLS FROM *
PRISONERS AT CORRECTIONAL INSTITUTIONS IN *
MASSACHUSETTS SEEKING RELIEF FROM THE UNJUST *
AND UNREASONABLE COST OF SUCH CALLS *

* * * * *

BEFORE: HEARING OFFICER KALUN LEE

OFFICE OF THE DIVISION OF INSURANCE

First Floor, Hearing Room E

1000 Washington Street

Boston, Massachusetts

Thursday, July 19, 2012 10:00 a.m. - 5:00 p.m.

Laurie J. Jordan

Professional Court Reporter

1 statement.

2 Would any of the petitioners or
3 respondents like to make a statement? Yes, we will
4 start with Prisoners Legal Services.

5 MS. MATOS: Yes, that's okay. There
6 are other petitioners here on behalf of the
7 petitioners and organizations, if they would like to
8 make a comment.

9 THE HEARING OFFICER: If I could get
10 you to come up to the microphone then. Thank you.

11 Good morning, Ms. Matos.

12 MS. MATOS: Good morning. Thank you
13 for having us here today.

14 THE HEARING OFFICER: Before you
15 begin, if you could spell your name for the court
16 reporter.

17 MS. MATOS: Sure. First name is
18 Elizabeth, E-L-I-Z-A-B-E-T-H, last name is Matos,
19 M-A-T-O-S.

20 THE HEARING OFFICER: You are here to
21 represent Prisoners Legal Services?

22 MS. MATOS: Yes.

23 THE HEARING OFFICER: Your contact
24 information is a matter of record in the filings,

1 poor. At Prisoners Legal Services, we receive calls
2 from prisoners in all of these facilities regularly.
3 I can attest personally that calls are frequently
4 dropped, connections are often so bad that you can't
5 understand anything that your client is saying on the
6 other line. And they often have to call back and we
7 incur those fees.

8 Aside from the fees, it compromises our
9 ability to get accurately and timely facts from our
10 clients. And the fact that the rates are so high
11 should account for this service. There is no reason
12 why -- You'll hear this from others today and I'm sure
13 you received it in your comments that
14 across-the-board the quality of service is so poor
15 and it just doesn't correlate with the rates that we
16 are paying.

17 High phone rates and commissions
18 unfairly penalize families of prisoners and do
19 nothing to improve public safety in our communities.
20 Family ties while incarcerated are proven to lower
21 recidivism and the phone is a lifeline for prisoners
22 and their families. To keep those lines of
23 communication open, it's imperative that the DTC take
24 this matter, investigate what a reasonable rate would

1 believe that is the substance of all of his testimony
2 today.

3 THE HEARING OFFICER: Mr. Dawson, are
4 you going to be available during the day?

5 MR. DAWSON: Yes, Sir.

6 THE HEARING OFFICER: Then if he is
7 going to be available, I am just going to ask him to
8 save his comments until the end of the day when we
9 anticipate more time.

10 He will have an opportunity to speak on
11 the record, but I would just like to give a lot of
12 the working folks a chance to speak first.

13 MS. TENNERIELLO: Thank you very much.

14 THE HEARING OFFICER: The next person
15 I have on the list is Patricia Garin.

16 MS. GARIN: Good morning, I am one of
17 the attorneys on the case who signed the petition.
18 I also am here to speak on behalf of several of the
19 petitioners.

20 THE HEARING OFFICER: Do you receive
21 phone calls from one of these facilities?

22 MS. GARIN: Yes.

23 THE HEARING OFFICER: I note that you
24 provided the court reporter with your business card?

1 MS. GARIN: Yes, I did.

2 THE HEARING OFFICER: Thank you very
3 much. Ms. Garin, before we get started, do you want
4 your statement to be sworn or unsworn?

5 MS. GARIN: Swearing in is fine. I am
6 also one of the attorneys of record on this case.

7 THE HEARING OFFICER: I think we can
8 forgo the swearing in. If you could identify for the
9 record the facilities from which you receive phone
10 calls.

11 MS. GARIN: I am going to be testifying
12 on behalf of the Northeastern Prisoners Rights
13 Project and we receive phone calls from all of the
14 18 DOC facilities in the State. They are serviced
15 by telecom, collect phone calls.

16 I am going to be testifying on behalf
17 of my law firm. It was one of the petitioners. We
18 also receive phone calls from State and county
19 facilities. I am testifying on behalf of MACDA, the
20 Mass. Association of Criminal Defense Attorneys and
21 those are all or most of the criminal defense
22 attorneys in the State. There is 1062 members. The
23 1062 members certainly receive calls from all of the
24 facilities in the State.

1 to call every day. It's just too expensive.

2 I think those two clients are
3 representative of what happens to a great number of
4 clients and families in the system.

5 I just want to comment briefly about
6 the quality of the service. It's inconsistent from
7 prison to prison. Some prisons you can hear better,
8 some prisons you cannot hear the calls at all. My
9 client who is in Bridgewater State Hospital -- My
10 client is already mentally ill. At Bridgewater
11 State Hospital the echo in the calls is so loud that
12 you cannot speak without hearing the echo come back
13 at you and shake in your ears.

14 This is really hard for any person to
15 deal with it day in and day out. It is very tough
16 if you already have mental health issues to have to
17 put up with that hammering echo in your head when you
18 are trying to talk to your family.

19 I have talked to many people who have
20 to have their clients yell into the phone. Those of
21 us who are attorneys are very concerned about the fact
22 that our clients have to be yelling their legal
23 business so that we can hear them on these telephone
24 calls.

1 The quality of service is
2 inconsistent. I want to tell you that at one point
3 a year and a half ago I decided to get a GTL account
4 on my cell phone for when I went out of town so that
5 prisoners could call me in an emergency because I
6 wouldn't be at my office. Sometimes if there is
7 emergency, I wouldn't be using it so often. It was
8 a disaster.

9 The calls to my office don't get cut off
10 that often. On my cell phone, I would say one out
11 of every third call would get cut off and a recording
12 would come on and say a third-party call has been
13 detected.

14 I never connected with a third-party
15 ever. I only use the call from a sitting still
16 position in a place where reception was strong. It
17 didn't matter. The calls got cut off with the
18 recording coming on saying third-party call
19 detected. And then the client would call again and
20 we would have another connection fee, get cut off,
21 call again, get cut off.

22 The other problem was that I didn't use
23 it that often. I only used the account when I went
24 out of town. So, it would go months without being

1 know about per minute, that's what I know it costs.

2 So, for one minute to connect, it's
3 \$2.77. For 30 minutes it's \$5.85. It's ridiculous.
4 And I don't have a choice. When I call Securus and
5 I speak to customer service and they say thank you
6 for choosing Securus. What choice did I make? I
7 have no choice. They are a monopoly. I don't know
8 about the research. I don't know about the
9 kickbacks. I don't know about the commissions. I
10 don't know where the money goes. But I know that
11 prison for private is new to this society.

12 These phone calls are just one part of
13 it. It's outrageous. The outrage that I feel, I
14 can't even begin to put it into words what happens
15 -- It is just ridiculous. I don't know what else to
16 say, but thank you.

17 THE HEARING OFFICER: Thank you,
18 Ma'am. The next person I have on the list is Carmen
19 Guhn-Knight.

20 MS. GUHN-KNIGHT: Good afternoon.

21 THE HEARING OFFICER: You are an
22 attorney?

23 MS. GUHN-KNIGHT: I am not. I am a
24 paralegal at the Law Offices of Howard Friedman.

1 Howard Friedman is one of the petitioners. So, I am
2 speaking on behalf of the firm.

3 THE HEARING OFFICER: If I could get
4 you to spell your name and provide your contact
5 information for reporter, please.

6 MS. GUHN-KNIGHT: Yes. My name is
7 Carmen Guhn-Knight. It is spelled C-A-R-M-E-N, last
8 name G-U-H-N,-, K-N-I-G-H-T. Contact information
9 at the Law Offices of Howard Friedman is
10 617-742-4100. It's 90 Canal Street, Fifth Floor,
11 Boston, Massachusetts.

12 THE HEARING OFFICER: And the
13 statement you are giving is under oath today?

14 MS. GUHN-KNIGHT: Yes.

15 THE HEARING OFFICER: Can you tell us
16 which facilities you are receiving phone calls from.

17 MS. GUHN-KNIGHT: We accept all calls
18 that come to our office, so calls from across the
19 State.

20 THE HEARING OFFICER: Thank you. You
21 may begin.

22 MS. GUHN-KNIGHT: The Law Offices of
23 Howard Friedman is a civil rights firm that brings
24 lawsuits including class action lawsuits on behalf

1 of prisoners. We have numerous clients incarcerated
2 across the State.

3 The telephone is the most practical way
4 for us to communicate with our clients. Our work
5 depends upon reliable phone service with prisoners.
6 Prisoners depend on the phone to inform us of
7 important developments and to seek legal advice in
8 a timely manner. However, the service we pay for and
9 we pay extravagantly is not reliable.

10 Calls are occasionally dropped. The
11 connection is frequently poor. Sometimes our
12 clients sound impossibly quiet and other times there
13 is constant static on the line. I often tell our
14 clients to hang up and try calling again and maybe
15 it'll be better. Sometimes it works and sometimes
16 it doesn't.

17 The high cost of prisoner phone calls
18 places burdens on attorneys, prisoners and in some
19 instances all taxpayers. The cost imposes yet
20 another financial disincentive, and there are many,
21 for private attorneys to represent prisoners whose
22 civil legal needs are greatly underserved. Because
23 prisoners are typically liable for the cost of a
24 lawsuit when it is successful, any recovery they

EXHIBIT F

EDUCATION BASED INCARCERATION



Los Angeles County
Sheriff's Department

A MESSAGE FROM THE SHERIFF

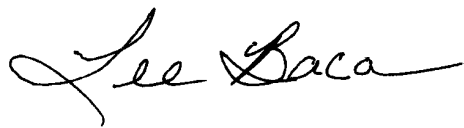
As the Sheriff of Los Angeles County, I am charged with running the nation's largest jail system in a fair and impartial way. We know, from the documented high rates of recidivism across the nation, that traditional incarceration with punishment at the core, does not work. In Los Angeles County we have adopted a philosophy within the jails called **Education-Based Incarceration**. This system works well within the boundaries of our Departmental Mission statement and Core Values, by providing dignity in the jails.

Creating a system that supports reducing the risks and needs of its offenders through education and rehabilitation has shown success. These successes can be seen in reduced rates of recidivism, increased employability, and family reunification, which, in totality, are reinvestments in the communities within Los Angeles County.

People agree that education is a better option than incarceration. Unfortunately, some people make choices in their lives that land them in jail. The values needed to succeed in jail are often in direct conflict with societal norms. **Education-Based Incarceration** creates a safe and empowering environment, conducive to learning and self-retrospection; it, allows the offenders to reprioritize their lives and opt for success!

It is a great honor to present this publication highlighting the successes of Education-Based Incarceration through the Offender Services Bureau, Correctional Services Division, of the Los Angeles County Sheriff's Department.

Sincerely,



Leroy D. Baca
Sheriff



INMATE WELFARE COMMISSION

The Inmate Welfare Commission was formed in 1951 by Los Angeles County Sheriff Eugene Biscailuz. The concept of the Inmate Welfare Fund was established in law with the enactment of California Penal Code Section 4025 in 1949.

The funds... *“shall be expended by the Sheriff primarily for the benefit, education and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff.”*



The Inmate Welfare Commission is an advisory body. This is a non-delegated duty, and the final decision to make expenditures rests with the Sheriff. The Inmate Welfare Commission’s authority is derived solely from the Sheriff, while, by law, the Sheriff retains the responsibility for the expenditure of funds.

● Inmate Welfare Fund

The Inmate Welfare Commission’s primary duty is to provide meaningful assistance to the inmate population of the Los Angeles County jail system by reviewing and making recommendations to the Sheriff regarding funding for education, recreation, vocational training, counseling, and community transition. Funds for the Inmate Welfare Fund (IWF) are derived from revenue sharing contracts such as inmate telephones, commissary and vending.



The Inmate Welfare Fund allocates 51 percent of the funds to be spent on inmate programming and services and 49 percent to jail facility maintenance. In addition, the IWF also assists with funding needs for the forty-eight (48) courthouse lock-ups and twenty-three (23) station jails within Los Angeles County.

EXHIBIT G

INTERNAL CONTROL AUDIT:

SHERIFF-CORONER INMATE WELFARE FUND AND SELECTED JAIL COMMISSARY PROCESSES

For the Period July 1, 2010
through June 30, 2011

We audited internal controls and processes over the administration and use of the Sheriff-Coroner's Inmate Welfare Fund. Specifically, we audited fund receipts and disbursements to ensure they are valid, supported, timely, and made in accordance with California Penal Code Section 4025, and with County and Sheriff-Coroner policies and procedures. We also assessed the effectiveness and efficiency of administering the Inmate Welfare Fund. In addition, we audited selected controls and processes over Jail Commissary funds and operations because profits from the Jail Commissary are a revenue source for the Inmate Welfare Fund. During the audit period, the Inmate Welfare Fund had \$3.5 million in revenues and \$4.4 million in expenditures.

Our audit found that internal controls and processes over Inmate Welfare Fund receipts and disbursements are adequate and effective to ensure they are valid, timely, supported and in compliance with the Penal Code and County policies. However, we found where improvement is needed over the administration of the Inmate Welfare Fund and Jail Commissary Fund, specifically involving reconciliations of inmate accounts, declining fund balances available, price determinations of commissary merchandise, commissary order forms and physical inventories. We identified **four (4) Significant Control Weaknesses** and **three (3) Control Findings** where controls and processes can be further enhanced. The Sheriff-Coroner agreed with the findings and recommendations.

AUDIT NO: 1123

REPORT DATE: MAY 16, 2012

Director: Dr. Peter Hughes, MBA, CPA, CIA

Deputy Director: Eli Littner, CPA, CIA

Senior Audit Manager: Michael Goodwin, CPA, CIA

Audit Manager: Michael Dean, CPA, CIA

Audit Manager: Kenneth Wong, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA



OC Internal Auditor's Report

BACKGROUND

The mission of the Sheriff-Coroner is to protect the residents of Orange County and provide exceptional law enforcement services with leadership, integrity and respect. The Sheriff-Coroner has four major "commands" or divisions – (1) Field Operations & Investigative Services Command; (2) Custody and Court Services Command; (3) Professional Services Command; and (4) Administrative Services Command. The Inmate Services Division, which oversees and administers the Inmate Welfare Fund and Jail Commissary, is under the Custody and Court Services Command. The Administrative Services Command and Financial/Administrative Services provide financial support to the department.

Inmate Services Division Overview

The Inmate Services Division, established in 2004, contains 200 professional staff, 2 sworn staff and 1,100 volunteer staff. The Inmate Services Division's annual budget is approximately **\$37 million**. The division assures inmate needs are met based on compliance with State *Correction Standards* found in Title 15 of the *California Code of Regulations* by providing supporting services, including meals, commissary, educational, vocational, and recreational programs to foster rehabilitation and reduce recidivism (repeat offenders) of inmates once they leave the Sheriff's custody. The Inmate Services Division consists of the following units:

- ✓ **Commissary Operations** has an operating budget of \$8.8 million and 39 employees, whose goal is to provide high quality products and services to those incarcerated in the Sheriff's jail facilities, and secondly to provide funding to the Sheriff's Inmate Welfare Fund to support vocational and educational training programs. Each year, up to \$1 million in profit from commissary operations is transferred to the Inmate Welfare Fund.
- ✓ **Food Services Unit** provides three daily nutritional meals to each inmate housed in the County's four jail facilities. A staff of 83 operates four kitchens, three inmate dining halls, four warehouses, and prepares approximately 5.2 million meals annually. Their annual operating budget is \$15 million.
- ✓ **Correctional Programs Unit** was created to minimize the number of inmates who recommit crimes after release. It provides opportunities for inmates to participate in effective rehabilitative experiences while incarcerated in the County's four jail facilities. The unit is comprised of 39 employees and has an operating budget of \$12 million.
- ✓ **Inmate Re-Entry Unit** was created to combat the high recidivism rates. Any staff member can work in the Re-Entry Unit, and annual expenditures for services and supplies were about \$2,900.
- ✓ **Division Support Unit** contains 29 employees and provides professional support including recruiting, clerical, accounts payable, purchasing, revenue forecasting, auditing, legislative analysis, safety, inmate rights training, research and analysis, and the Inmate Law Library.

Inmate Welfare Fund

Under the *California Penal Code* Section 4025, an Inmate Welfare Fund is mandated to provide services essential for the benefit, welfare, and educational needs of inmates confined in detention facilities. This code section governs the establishment, use and reporting requirements for the Inmate Welfare Fund. The section states:

"The Sheriff may operate a store in connection with the County jail and for this purpose may purchase confectionery, tobacco, and tobacco users' supplies, postage and writing materials, and toilet articles and supplies and sell these goods, articles and supplies for cash to inmates in the jail...any profit shall be deposited in an inmate welfare fund to be kept in the treasury of the County."

The Inmate Welfare Fund is administered by the Sheriff-Coroner's Inmate Services Division, and is recorded under Fund 144. As of June 30, 2011, the Inmate Welfare Fund had **\$3.5 million in revenues** and **\$4.4 million in expenditures**, and required an \$875,000 fund balance transfer to cover the difference.



OC Internal Auditor's Report

Inmate Welfare Fund Revenues

The Inmate Welfare Fund's primary revenue source is from **telephone commissions**. Based on a contract with Global-Tel Link (formerly AT&T), the contractor pays the County a **minimum annual guarantee of \$2.6 million** that is allocated between the Sheriff-Coroner's Inmate Welfare Fund and the Probation Department based on inmate collect-only telephone calls at the Central Jail Complex, Theo Lacy, James Musick, Juvenile Hall (Probation), Youth Guidance Center (Probation), Los Pinos Conservation Camp (Probation) and Western Medical Center Ward.

The second main revenue source comes from **Jail Commissary profit transfers**. California Penal Code Section 4025 requires commissary profits to be deposited into the Inmate Welfare Fund. Commissary profits are monitored by Sheriff-Coroner budget staff and are transferred annually to the Inmate Welfare Fund. See below for further discussion of the Jail Commissary and profit transfers.

Other revenue sources for the Inmate Welfare Fund come from **education services, rental revenue, interest income, bankruptcy repayments, sale of capital assets, and other miscellaneous revenue**. The table below shows all revenue components of the Inmate Welfare Fund for Fiscal Years 09/10 and 10/11:

| TYPE | NAME | 6/30/10 AMOUNT | 6/30/10 % | 6/30/11 AMOUNT | 6/30/11 % |
|-------------------------------|----------------------------|--------------------|--------------|--------------------|--------------|
| Service Revenue | Telephone Commissions | \$ 2,406,001 | 64% | \$2,476,372 | 70% |
| Miscellaneous Revenue | Commissary Profit Transfer | 700,000 | 19% | 500,000 | 14% |
| Service Revenue | Education Services | 337,779 | 9% | 285,932 | 8% |
| Service Revenue | Rental Revenue | 194,316 | 5% | 194,316 | 5% |
| Miscellaneous Revenue | Interest Income | 74,062 | 2% | 34,681 | 1% |
| Miscellaneous Revenue | Bankruptcy Repayment | 44,876 | 1% | 40,777 | 1% |
| Miscellaneous Revenue | Sale of Capital Assets | 4,046 | <1% | 0 | 0% |
| Miscellaneous Revenue | Other | 696 | <1% | 6,752 | <1% |
| TOTAL REVENUE | | \$3,761,776 | 100% | \$3,538,830 | 100% |
| FUND BALANCE AVAILABLE | | \$1,254,653 | | \$874,574 | |
| TOTAL REVENUE AND FBA | | \$5,016,429 | | \$4,413,404 | |

Inmate Welfare Fund Expenditures

Penal Code Section 4025 states: *"The money and property deposited in the inmate welfare fund shall be expended by sheriff primarily for the benefit, education, and welfare of the inmates confined within a jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the Sheriff."*

The largest expenditures from the Inmate Welfare Fund are **salary and benefit costs** for all Sheriff-Coroner employees that work in inmate welfare programs. The second largest expenditures result from **staff support – services, supplies, training & equipment** that includes operational costs for telephone service, office supplies and equipment, equipment repair & maintenance, property casualty insurance, inmate service liaison, training costs, validated parking and other expenses related to volunteers, and any fixed asset purchases. Other fund expenditures are for **hot water systems, audio-visual, recreation, library services, and minor construction**. These purchases are requested by personnel in the inmate programs and are approved by Inmate Services Division management. Expenditures can be made by contract, revolving funds or purchasing cards. The table below shows Inmate Welfare Fund expenditures for Fiscal Years 09/10 and 10/11:



OC Internal Auditor's Report

| TYPE | NAME | 6/30/10 AMOUNT | 6/30/10 % | 6/30/11 AMOUNT | 6/30/11 % |
|---------------------------|------------------------------|--------------------|--------------|--------------------|--------------|
| Staff Support | Salaries | \$ 3,716,411 | 74% | \$3,334,505 | 76% |
| Staff Support | Services, Supplies, Training | 875,569 | 17% | 862,996 | 20% |
| General Inmate Welfare | Hot Water System | 29,150 | <1% | 14,800 | <1% |
| Inmate Education | Services, Supplies & Equip. | 40,930 | <1% | 21,962 | <1% |
| Inmate Resources | Audio Visual | 39,268 | <1% | 37,905 | <1% |
| Inmate Resources | Recreation | 25,508 | <1% | 21,948 | <1% |
| Inmate Resources | Library | 144,693 | 3% | 116,326 | 3% |
| Inmate Re-Entry | Services, Supplies, Training | 2,981 | <1% | 2,826 | <1% |
| Construction | Warehouse & Musick Bldg. | 141,919 | 3% | 136 | <1% |
| TOTAL EXPENDITURES | | \$5,016,429 | 100% | \$4,413,404 | 100% |

Jail Commissary Operations

The Inmate Services Division operates a commissary for inmates and federal detainees held at three County jail facilities. The commissary is located in a warehouse in Anaheim. Profits from the jail commissary operations are deposited in the Inmate Welfare Fund. Uniform prices for commissary items are established at a level to support the Sheriff-Coroner's Inmate Welfare Fund program. All commodities sold in the jail commissary are approved items for that purpose. A price list of items available is established, kept current, and posted on printed order forms. Copies of the order forms are made available to inmates and federal detainees. The Jail Commissary Fund is Fund 143 in the County's General Ledger.

Jail Commissary Profit Transfers and Operating Reserves

Penal Code Section 4025 states that any profits resulting from commissary sales shall be deposited into the Inmate Welfare Fund. Sheriff-Coroner's Budget & Administrative Support tracks the annual jail commissary profits/losses and the profit transfers to the Inmate Welfare Fund.

The Sheriff-Coroner maintains an operating reserve for the jail commissary. The reserve is divided into two components: Reserve Designated for Operations and Reserve Designated for Inventory Material/Supplies. During our audit period, the reserve balance was **\$481,000**. A five-year analysis of the Jail Commissary Operating Reserve since FY 06-07 shows the reserve balance between \$481,000 and \$580,000 with minor annual fluctuations.

SCOPE AND METHODOLOGY

Our audit evaluated internal controls and processes over the administration and use of the Inmate Welfare Fund and selected Jail Commissary processes for the period July 1, 2010 through June 30, 2011. Our methodology included inquiry, auditor observation and testing of relevant documents over the following:

1. Evaluated controls and processes over all revenue categories of the Inmate Welfare Fund and tested a sample of transactions.
2. Evaluated controls and processes over all expenditure categories of the Inmate Welfare Fund and tested a sample of transactions.
3. Analyzed Inmate Welfare Fund financial statements for FY 09-10 and 10-11, including the trend of declining fund balances in the Inmate Welfare Fund and Jail Commissary Fund.
4. Evaluated cash receipting and reconciliation processes for inmate accounts.
5. Evaluated selected aspects of Jail Commissary operations including profit transfers, use of operating reserves, pricing methodology, commissary order forms, and controls over physical inventories.

EXHIBIT H

STATE STATUTES

| State | Statute | Notes* |
|-----------------|---|---|
| Alabama | <p>For County Jails, statutes have language reflecting the principle that: "All profits realized in the operation of the jail canteen and inmate telephone system shall be expended at the discretion of the sheriff for salaries, equipment, and supplies for the county jail and other law enforcement purposes in [named] County that are in the interest of the public." Ala. Code §§ 45-1-232; 45-3-231.20; 45-5-231; 45-11-234; 45-13-231; 45-18-230; 45-25-231 (2011).</p> | Applies to Counties. |
| Alaska | <p>Commission is excluded from the state's general revenue fund: "(b) The program receipts listed in this subsection are accounted for separately, and appropriations from these program receipts are not made from the unrestricted general fund: (43) receipts of the Department of Corrections from the inmate telephone system" Alaska Stat. § 37-05-146 (2012).</p> | State received \$85,438.58 from revenue-sharing with Securus in 2012. |
| Arizona | <p>"A. A special services fund is established in the state department of corrections. The department shall administer the fund. B. The director shall transfer five hundred thousand dollars from the special services fund annually to the department of corrections building renewal fund established by section 41-797. Any remaining monies in the special services fund, including the inmate recreation fund, may be used for the following purposes: 1. The benefit, education and welfare of committed offenders, including the establishment, maintenance, purchase of items for resale and other necessary expenses of operation of canteens and hobby shops. 2. To pay the costs of a telephonic victim notification system. Revenues that are generated by the inmate telephone system and the automated public access program shall be deposited in the special services fund." Ariz. Rev. Stat. Ann. § 41-1604.03 (2012).</p> | State received \$4.3 million from revenue-sharing with Securus in 2012. |
| Arkansas | <p>"(a) There is created . . . a cash fund entitled the Department of Correction Nontax Revenue Receipts Fund to consist of receipts for telephone calls from coinless telephones located on Department of Correction grounds, and from other nontax receipts not previously identified to a fund of deposit. (b) Funds held in this special fund are to be</p> | State received \$2.0 million from revenue-sharing with GTL in 2012. |

| State | Statute | Notes* |
|--------------------|---|---|
| | <p>administered and expended by the Director of the Department of Correction within guidelines established by the Board of Corrections for periodic transfers to other department funds or for disbursements in support of department operations or debt service.” Ark. Code Ann. § 12-27-128 (2012).</p> | |
| California | <p>“(d) There shall be deposited in the inmate welfare fund any money, refund, rebate, or commission received from a telephone company or pay telephone provider when the money, refund, rebate, or commission is attributable to the use of pay telephones which are primarily used by inmates while incarcerated. (e) The money and property deposited in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff. Inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system, such as meals, clothing, housing, or medical services or expenses, except that inmate welfare funds may be used to augment those required county expenses as determined by the sheriff to be in the best interests of inmates. An itemized report of these expenditures shall be submitted annually to the board of supervisors.” Cal. Penal Code § 4025 (2012).</p> | <p>Applies to Counties. Los Angeles County – 15 million guaranteed payment – 49% used for jail maintenance. Orange County – 74% of \$5 million inmate fund used for staff salaries.</p> |
| Colorado | <p>‘Any profits arising from the operation of the canteen and vending machines shall be expended for the educational, recreational, and social benefit of the inmates and to supplement direct inmate needs.’ Colo. Rev. Stat. Ann. § 17-24-126(3) (West 2013).</p> | <p>Jefferson County – 86% of inmate welfare fund used for staff salaries and benefits. (see attached).</p> |
| Connecticut | <p>“For the fiscal year ending June 30, 2007, and each fiscal year thereafter, the sum of \$350,000 from revenue derived by the Department of Information Technology from the contract for the provision of pay telephone service to inmates of correctional facilities shall be transferred to the Department of</p> | <p>State received \$4.2 million from revenue-sharing with Securus in 2012.</p> |

| State | Statute | Notes* |
|-----------------|---|---|
| | Correction, for Other Current Expenses, for expanding inmate educational services and reentry program initiatives.” Conn. Gen. Stat. § 18-81x (2011). | |
| Florida | “All proceeds from contracted telephone commissions must be deposited in the General Revenue Fund.” Fla. Stat. § 945.215(b) (2012). | State received \$5.2 million from revenue-sharing with Securus in 2012. |
| Hawaii | “(c) All proceeds or revenues that are derived from any commission that is realized pursuant to a telephone service agreement executed by the department for the provision of telephone services for inmates shall be deposited into the automated victim information and notification system special fund.” Haw. Rev. Stat. § 353-136 (West 2012). | State received \$74,284 from revenue-sharing with Hawaii Telecom in 2008 (most recent available). |
| Illinois | “The moneys deposited into the Department of Corrections Reimbursement and Education Fund shall be appropriated to the Department of Corrections for the expenses of the Department. The following shall be deposited into the Department of Corrections Reimbursement and Education Fund: . . . (iii) Moneys received by the Department as commissions from inmate collect call telephone systems.” 730 Ill. Comp. Stat. 5 / 3-4-1(b) (2012). | State received \$11.7 million from revenue-sharing with CCPS in 2012. |
| Indiana | “The correctional facilities calling system fund is established for the purposes of improving, repairing, rehabilitating, and equipping department of correction facilities. The fund consists of the following: (1) Money deposited in the fund under section 5(d) of this chapter. (2) Money appropriated by the general assembly. (3) Money received from any other source.” Ind. Code § 5-22-23-7(a) (2012). Ind. Code § 5-22-23-5 requires that commissions received from the inmate telephone system be deposited in the “correctional facilities calling system fund.” | State received \$1.7 million from revenue-sharing with GTL in 2012. |
| Iowa | “The department is authorized to establish and maintain an inmate telephone fund for the deposit of moneys received for inmate telephone calls. All funds deposited in this fund shall be used for the benefit of inmates. The director shall adopt rules providing for the disbursement of moneys from the fund.” Iowa Code § 904.508A (2013). | State received \$650,972 from revenue-sharing with GTL in 2012. |
| Maryland | “Each inmate welfare] fund consists of: 1. profits derived from the sale of goods through the | State received \$5.1 million from revenue- |

| State | Statute | Notes* |
|----------------------|---|---|
| | <p>commissary operation and telephone and vending machine commissions; and 2. subject to subparagraph (ii) of this paragraph, money received from other sources.” Md. Code Ann., Corr. Servs. § 10-503(2)(i).</p> | <p>sharing with Securus in 2010.</p> <p>Only 10 of the 23 Maryland counties use funds for inmate welfare fund. (see attached).</p> |
| Massachusetts | <p>Section 2. There shall be a General Fund of the commonwealth, into which all revenue payable to the commonwealth shall be paid, except revenue required by law to be paid into a fund other than the General Fund and revenue for or on account of sinking funds, trust funds or trust deposits, which funds shall be maintained and the revenue applied in accordance with law or the purposes of the fund. G.L. c. 29 § 2 (April 1, 2013).</p> | <p>State received \$1.7 million from revenue-sharing with GTL in 2012.</p> |
| Mississippi | <p>“(1) The department is authorized to maintain a bank account which shall be designated as the Inmate Welfare Fund. All monies now held in a similar fund for the benefit and welfare of inmates shall be deposited into the Inmate Welfare Fund. This fund shall be used for the benefit and welfare of inmates in the custody of the department. . . . (3) All inmate telephone call commissions shall be paid to the department. Monies in the fund may be expended by the department, upon requisition by the commissioner or his designee, only for the purposes established in this subsection. (a) Twenty-five percent (25%) of the inmate telephone call commissions shall be used to purchase and maintain telecommunication equipment to be used by the department. (b) . . . Beginning on July 1, 2008, thirty-five percent (35%) of the inmate telephone call commissions shall be deposited into the Prison Agricultural Enterprise Fund. . . . (c) Forty percent (40%) of the inmate telephone call commissions shall be deposited into the Inmate Welfare Fund.” Miss. Code Ann. § 47-5-158 (2013).</p> | <p>State received \$1.7 million from revenue-sharing with GTL in 2012.</p> |
| Montana | <p>“(1) There is an account in the state special revenue fund. The net proceeds from state prison inmate canteen purchases and inmate telephone use, cash proceeds from the disposition of confiscated contraband, and any public money held for the needs of inmates and their families and not otherwise allocated must be deposited in the account. Money in an account established under 53-1-107 may not be deposited in the account</p> | <p>State received \$220,617 from revenue-sharing with Telmate in 2012.</p> |

| State | Statute | Notes* |
|-----------------|--|--|
| | <p>established in this subsection.</p> <p>(2) The money in the account is statutorily appropriated, as provided in 17-7-502, to the department of corrections, which may allocate the money referred to in subsection (1) to the state prisons in proportion to the amount that each state prison contributed to the fund. The administrator of each state prison shall consult with the inmates about the use of the money allocated to the state prison and may use the money for the needs of the inmates and their families.” Mont. Code Ann. § 53-1-109 (2011).</p> | |
| Ohio | <p>“(A) There is hereby created in the state treasury the prisoner programs fund. The director of rehabilitation and correction shall deposit in the fund all moneys received by the department from commissions on telephone systems and services provided to prisoners in relation to electronic mail, prisoner trust fund deposits, and the purchase of music, digital music players, and other electronic devices. The money in the fund shall be used only to pay for the costs of the following:</p> <p>(1) The purchase of material, supplies, and equipment used in any library program, educational program, religious program, recreational program, or pre-release program . . . (2) The construction, alteration, repair, or reconstruction of buildings and structures owned by the department for use in any . . . program . . . (3) The payment of salary, wages, and other compensation to employees of the department who are employed in any . . . program . . . (4) The compensation to vendors that contract with the department for the provision of services for the benefit of prisoners in any . . . program . . . (5) The payment of prisoner release payments in an appropriate amount as determined pursuant to rule;</p> <p>(6) The purchase of other goods and the payment of other services that are determined, in the discretion of the director, to be goods and services that may provide additional benefit to prisoners.” Ohio Rev. Code Ann. § 5120.132 (2012).</p> | <p>State receives \$15 million annual flat-rate payment from GTL.</p> |
| Oklahoma | <p>“A. There shall be established a Canteen System Board of Directors for all canteen system services The overall canteen operation composed of all correctional facility canteen operations, inmate telephone systems and inmate electronic mail systems shall be collectively called the Canteen System and such system shall be required to be self-supporting from sales receipts.</p> | <p>State received \$1 million from revenue-sharing with GTL in 2012.</p> |

| State | Statute | Notes* |
|------------------|--|--|
| | <p>E. . . . All revenues from canteen operations, inmate telephone system services and inmate electronic mail system operations shall be used exclusively for the benefit of the inmates of the various institutions and personnel of the Department of Corrections as determined by the Canteen System Board of Directors.” Okla. Stat. tit. 57, § 537 (2012).</p> | |
| Oregon | <p>“(1) Revenues, less operating expenses, from the following sources shall be deposited into an account established by the Department of Corrections to provide money to enhance inmate activities and programs including education programs: . . . (c) Operation of inmate telephones in correctional institutions; (2) The Department of Corrections shall limit use of the fund to uses benefiting the general inmate population and enhancing inmate activities and programs including education programs.” Or. Rev. Stat. § 421.068 (2011).</p> | <p>State received \$3 million from revenue-sharing with Telmate in 2012.</p> |
| Tennessee | <p>No statute on point for state prisons. “A fee of ten cents (10cent(s)) shall be collected for each completed telephone call made by an inmate housed in a local jail or workhouse. Such fees shall be remitted by the telephone service provider to the state treasurer each quarter and credited to a special account in the state general fund designated as the local correctional officer training fund to be used exclusively to fund certification training provided through the institute for local correctional personnel within the state. . . .” Tenn. Code Ann. § 41-7-104(c) (2012).</p> | <p>Applies to Counties: State received \$2.5 million from revenue-sharing with GTL in 2012.</p> |
| Texas | <p>“(b) The board shall award a contract to a single private vendor to install, operate, and maintain the inmate pay telephone service. The initial term of the contract may not be less than seven years. The contract must provide the board with the option of renewing the contract for additional two-year terms. (c) The department shall transfer 50 percent of all commissions paid to the department by a vendor under this section to the compensation to victims of crime fund established by Subchapter B, Chapter 56, Code of Criminal Procedure, and the other 50 percent to the credit of the undedicated portion of the general revenue fund, except that the department shall transfer the first \$10 million of the commissions collected in any given year under a contract awarded under this section to the compensation to victims of crime fund established</p> | <p>State received \$5.9 million from revenue-sharing with CenturyLink in 2012.</p> |

| State | Statute | Notes* |
|----------------------|---|---|
| | by Subchapter B, Chapter 56, Code of Criminal Procedure. This section does not reduce any appropriation to the department.” Tex. Gov’t Code Ann. § 495.027 (2012). | |
| Utah | “(1) (a) There is created within the General Fund a restricted account known as the Prison Telephone Surcharge Account. . . . (2) Upon appropriation by the Legislature, money from the Prison Telephone Surcharge Account shall be used by the department for education and training programs for offenders and inmates as defined in Section 64-13-1. . . .” Utah Code Ann. § 64-13-42 (2012). | State received \$765,858.16 from revenue-sharing with GTL in 2012. |
| Vermont | “The department shall accept monies generated by commissions on telephone services, commissary sales, and sales of approved items not available on commissary by the department to inmates at its correctional facilities and shall establish with such monies an inmate recreation special fund. The fund shall be used to provide postage to inmates in a manner consistent with department policy. The fund may be used for costs associated with the oversight and accounting of inmate cash accounts. The fund may be used, at the discretion of the commissioner, to hire persons or purchase services, equipment, and goods to establish or enhance recreation activities for inmates confined in any of the department's facilities, and for voluntary inmate contributions that promote the restoration of crime victims or communities. The inmates . . . may also choose to create a loan fund . . . from which offenders may borrow in order to help them obtain housing upon release from incarceration.” Vt. Stat. Ann. tit. 28, § 816 (2013). | State received \$44,781.29 from revenue-sharing with GTL in 2012. |
| Virginia | For local correctional facilities: “Each sheriff who operates a correctional facility is authorized to provide for the establishment and operation of a store or commissary to deal in such articles as he deems proper. The net profits from the operation of such store shall be used within the facility for educational, recreational or other purposes for the benefit of the inmates as may be prescribed by the sheriff. The sheriff shall be the purchasing agent in all matters involving the commissary and nonappropriated funds received from inmates. The funds from such operation of a store or commissary and from the inmate telephone services account shall be considered public funds. ” Va. Code Ann. § 53.1-127.1 (2012). | Applies to Counties: State received \$3.2 million from revenue-sharing with GTL in 2012. |
| West Virginia | “(a) The Commissioner of Corrections shall | State received |

| State | Statute | Notes* |
|------------------|--|--|
| | <p>establish an inmate benefit fund for each of the institutions under his or her jurisdiction. The inmate benefit fund is a fund held by the institutions for the benefit and welfare of inmates incarcerated in state correctional facilities and for the benefit of victims.</p> <p>(b) . . . Moneys to be deposited into an inmate benefit fund consist of: . . . (3) All proceeds from contracted inmate telephone commissions; . . .</p> <p>(c) The inmate benefit fund may only be used for the following purposes at correctional facilities: (1) Open-house visitation functions or other nonroutine inmate functions; (2) Holiday functions which may include decorations and gifts for children of inmates; (3) Cable television service; (4) Rental of video cassettes; (5) Payment of video license;</p> <p>(6) Recreational supplies, equipment or area surfacing; (7) Reimbursement of employee wages for overtime incurred during open-house visitations and holiday functions; (8) Postsecondary education classes; (9) Reimbursement of a pro rata share of inmate work compensation; (10) Household equipment and supplies in day rooms or units as approved by chief executive officers of institutions, excluding supplies used in the daily maintenance and sanitation of the unit; (11) Christmas or other holidays gift certificates for each inmate to be used at the exchange or commissary; (12) Any expense associated with the operation of the fund; (13) Expenditures necessary to properly operate an automated inmate family and victim information notification system; (14) Any expense for improvement of the facility which will benefit the inmate population that is not otherwise funded; (15) Any expense related to the installation, operation and maintenance of the inmate telephone system; and (16) For restitution of any negative balance on any inmate's trustee account for inmate medical copay, legal and ancillary related postage, and photocopy fees that are due the State of West Virginia, if the balance is uncollectible from an inmate after one calendar year from an inmate's release on parole or discharge date.'</p> <p>W. Va. Code § 25-1-3b (2012).</p> | <p>\$696,374 from revenue-sharing with GTL in 2012.</p> |
| Wisconsin | <p>"The department shall collect moneys for commissions from telephone companies for contracts to provide telephone services to inmates. . . . The secretary of administration shall do all of the following:</p> | <p>State received \$2.3 million from revenue-sharing with CenturyLink in 2012.</p> |

| State | Statute | Notes* |
|--------------|--|---------------|
| | (1) Deposit two-thirds of all moneys collected under this section in the general fund as general purpose revenue-earned. (2) Credit one-third of all moneys collected under this section to the appropriation account [for Adult Correctional Services].” Wis. Stat. § 310.105 (2013). | |

* - Revenue information from *Petitioners Comments*, Exhibit E.



Description of Fund Structure

Government entities follow basic fund accounting principles when structuring their financial systems. Each fund is considered to be a separate fiscal and accounting entity with a self-balancing set of accounts. This segregation allows for more accountability over special activities or revenues that are restricted in some fashion. Funds are established based on statutory, regulatory or policy restrictions and limitations imposed by the State of Colorado, the Board of County Commissioners, and/or generally accepted accounting standards.

As a result, the County budget is developed to accommodate its own fund structure. Jefferson County currently has 41 separate funds reported in its *Comprehensive Annual Financial Report (CAFR)*. Of these, the County is required to prepare and adopt an annual budget for 37 County funds (it does not appropriate budget for the Forfeiture, Jeffco Finance Corp Debt and Jeffco Finance Capital Funds); in addition, the Board of County Commissioners, acting as the Board of Directors, is required to prepare and adopt an annual budget for the Meadow Ranch Public Improvement District. As required by statute, each separate fund must balance - that is, total expenditures can not exceed the combined total of current revenues anticipated to be collected plus the amount of available and unrestricted fund balance - and each must be separately monitored to ensure that actual expenditures do not exceed approved appropriations. The County budget is adopted at the fund level each year by the Board of County Commissioners. The following schedules provide a three-year summary of revenues, expenditures and fund balances for each individual fund along with a brief description of the purpose of each fund. Funds included are:

- ❖ GENERAL FUND – (includes Boettcher Mansion, Clerk & Recorder Electronic Filing, Dog Licensing and Public Trustee as sub-funds)

- ❖ SPECIAL REVENUE FUNDS
 - ◆ *Community Development Fund*
 - ◆ *Contingent Fund*
 - ◆ *Forfeiture Fund*
 - ◆ *Inmate Welfare Fund*
 - ◆ *Open Space – Cities Share Fund*
 - ◆ *Road & Bridge Fund*
 - ◆ *Solid Waste Emergency Response Fund*
 - ◆ *Traffic Impact Funds (5 by region)*
 - ◆ *Workforce Development Fund*
 - ◆ *Conservation Trust Fund*
 - ◆ *Developmentally Disabled Fund*
 - ◆ *Head Start Fund*
 - ◆ *Open Space Fund*
 - ◆ *Patrol Fund*
 - ◆ *Social Services Fund*
 - ◆ *Solid Waste Management Fund*
 - ◆ *Wildland Fire Fund*

- ❖ ENTERPRISE FUNDS & COMPONENT UNIT FUNDS
 - ◆ *Airport Fund*
 - ◆ *Library Fund*
 - ◆ *Health & Environment Fund*

- ❖ DEBT SERVICE FUNDS
 - ◆ *Jeffco Finance Corp Debt Service Fund*
 - ◆ *Southeast Sales Tax Debt Service Fund*
 - ◆ *Open Space Debt Service Funds (3 by individual bond series)*

- ❖ CAPITAL PROJECT FUNDS
 - ◆ *Capital Expenditures Fund*
 - ◆ *Open Space Acquisition Fund*
 - ◆ *Jeffco Finance Corp Capital Project Fund*
 - ◆ *Southeast Sales Tax Capital Projects Fund*

- ❖ INTERNAL SERVICE FUNDS
 - ◆ *Employee Benefits Fund*
 - ◆ *Fleet Services Fund*
 - ◆ *Insurance (Risk Management) Fund*
 - ◆ *Facilities & Construction Mgmt. Fund*
 - ◆ *Information Technology Services Fund*
 - ◆ *Workers Compensation Fund*

- ❖ FIDUCIARY FUNDS
 - ◆ *Meadow Ranch Public Improvement District*

**Jefferson County - 2012 Adopted Budget
Summary of Revenues and Expenditures by Fund**

| Inmate Welfare Fund - 200 | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| The Inmate Welfare Fund accounts for monies received from commissions for telephone services and jail commissary sales. These monies are spent for the welfare of incarcerated inmates/detainees. | | | | |
| Categories | 2009 Actuals | 2010 Actuals | 2011 Adopted | 2012 Adopted |
| Revenues | | | | |
| Charges for Services | \$ 662,721 | \$ 677,877 | \$ 674,000 | \$ 674,000 |
| Investment Income | 30,526 | 23,602 | 16,482 | 16,264 |
| Total Revenues and Transfers In: | \$ 693,247 | \$ 701,479 | \$ 690,482 | \$ 690,264 |
| Expenditures | | | | |
| Salaries & Benefits | \$ 533,038 | \$ 509,347 | \$ 596,905 | \$ 551,971 |
| Supplies | 130,671 | 131,574 | 162,508 | 162,508 |
| Services & Charges | 8,130 | 5,894 | 58,350 | 58,350 |
| Interdepartmental | 16,282 | 35,615 | 18,347 | 15,235 |
| AMENDED EXPENDITURE CURRENT FY | - | - | 52,250 | - |
| Total Expenditures and Transfers Out: | \$ 688,121 | \$ 682,430 | \$ 888,360 | \$ 788,064 |
| Net Change | \$ 5,126 | \$ 19,049 | \$ (197,878) | \$ (97,800) |
| Beginning Fund Balance | \$ 1,616,281 | \$ 1,621,407 | \$ 1,640,456 | \$ 1,442,578 |
| Ending Fund Balance | \$ 1,621,407 | \$ 1,640,456 | \$ 1,442,578 | \$ 1,344,778 |

| Open Space Fund - 050 | | | | |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| The Open Space Fund accounts for revenues generated from the ½ percent countywide sales tax, implemented in 1973 and expended for the acquisition, development and maintenance of Open Space land. | | | | |
| Categories | 2009 Actuals | 2010 Actuals | 2011 Adopted | 2012 Adopted |
| Revenues | | | | |
| Taxes & Special Assessments | \$ 13,142,872 | \$ 18,579,080 | \$ 10,241,699 | \$ 11,006,846 |
| Intergovernmentals | 29,250 | 29,920 | - | - |
| Charges for Services | 244,357 | 295,739 | 244,979 | 247,883 |
| Fines & Forfeitures | 11,369 | 16,315 | 9,500 | 9,500 |
| Investment Income | 609,752 | 445,413 | 333,087 | 309,012 |
| Rental Income | 16,622 | 16,439 | 22,612 | 20,672 |
| Contributions & Donations | 3,631 | 3,568 | 37,000 | 17,500 |
| Miscellaneous | 51,244 | 52,874 | 50,000 | 50,000 |
| Claims & Judgements | - | 6,387 | - | - |
| Intra-County Transfers | 389,004 | 86,000 | 86,000 | 86,000 |
| Proceeds From Disposition of Assets | - | - | 1,000 | 1,000 |
| Total Revenues and Transfers In: | \$ 14,498,101 | \$ 19,531,735 | \$ 11,025,877 | \$ 11,748,413 |
| Expenditures | | | | |
| Salaries & Benefits | \$ 6,863,894 | \$ 7,002,263 | \$ 7,004,442 | \$ 7,229,979 |
| Supplies | 409,525 | 409,791 | 545,640 | 546,995 |
| Services & Charges | 475,165 | 628,759 | 741,983 | 649,132 |
| Operating Capital | 54,469 | - | 82,500 | 82,000 |
| Capital Projects & Equipment | 3,812,670 | 1,138,156 | 2,970,000 | 5,200,000 |
| Intergovernmental | 2,793,213 | 1,900,446 | 2,000,000 | 1,220,000 |
| Interdepartmental | 1,740,909 | 1,810,400 | 1,819,119 | 1,898,831 |
| AMENDED EXPENDITURE CURRENT FY | - | - | 1,198,105 | - |
| Total Expenditures and Transfers Out: | \$ 16,149,845 | \$ 12,889,815 | \$ 16,361,789 | \$ 16,826,937 |
| Net Change | \$ (1,651,744) | \$ 6,641,920 | \$ (5,335,912) | \$ (5,078,524) |
| Beginning Fund Balance | \$ 32,736,632 | \$ 31,084,888 | \$ 37,726,808 | \$ 32,390,896 |
| Ending Fund Balance | \$ 31,084,888 | \$ 37,726,808 | \$ 32,390,896 | \$ 27,312,372 |

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 778 (Senator Pugh)
 Judicial Proceedings

Correctional Services - Inmate Welfare Fund - Telephone Financial Assistance

This bill requires the Department of Public Safety and Correctional Services (DPSCS) and the managing official of a local correctional facility with an inmate welfare fund to adopt regulations that require a portion of the profits derived from telephone commissions that accrue to the funds to be used for telephone calls that take place between an inmate and the minor child of an inmate. The bill specifies that distributions must be made according to the financial need of an inmate. DPSCS and each local correctional facility must report to the General Assembly by December 31 of each year on the nature and dollar amount of any expenditure from each fund.

Fiscal Summary

State Effect: Special fund revenues to the inmate welfare funds decrease by \$866,600 in FY 2014 and by \$1.2 million annually thereafter. DPSCS can handle the bill’s reporting requirement with existing resources.

| (in dollars) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|--------------|-------------|---------------|---------------|---------------|---------------|
| SF Revenue | (\$866,600) | (\$1,155,500) | (\$1,155,500) | (\$1,155,500) | (\$1,155,500) |
| Expenditure | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$866,600) | (\$1,155,500) | (\$1,155,500) | (\$1,155,500) | (\$1,155,500) |

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

Local Effect: The bill is likely to present some operational and administrative difficulties in most jurisdictions. For some, the monetary losses to the inmate welfare funds may prove significant, and some jurisdictions may need additional staff. However, to the extent that an inmate welfare fund currently exists within a county, most local correctional officials should be able to implement the bill’s requirements with existing resources. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law/Background: Generally, 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. However, the inmate payphone contract is considered an Information Technology procurement. As such, the procurement is handled by DPSCS via a competitive sealed proposal process, which takes into consideration both technical and financial aspects of each proposal. The selected proposal must be reviewed and approved by the Department of Information Technology and the Board of Public Works. DPSCS facilities are allowed to retain commissions to support 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 into the inmate welfare funds, special funds in each State correctional facility that are 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, support of the inmate grievance process, and inmate legal support. Inmate telephone commissions deposited into the funds totaled nearly \$5.0 million in fiscal 2012. The inmate welfare funds also receive about \$2.0 million annually from commissary activities, vending machines, and other nontelephone related sources; in fiscal 2012, the total was \$2.3 million.

Chapter 142 of 2002 (SB 271) authorized the establishment of an inmate welfare fund in each local correctional facility. Each fund is a special, continuing, nonlapsing fund that may be used only for goods and services that benefit the general inmate population, as defined by regulations adopted by the managing official of each facility. Each fund consists of profits derived from the sale of goods through the commissary operation and telephone and vending machine commissions and money received from other sources. Any investment earnings of a fund must be credited to the fund. The county chief financial officer is required to pay out money from each fund as approved by the county budget. In Dorchester County, pay outs may also be done by the managing official of the local correctional facility.

Money from the State general fund or a county's general fund, including any federal funds, may not be transferred by budget amendment or otherwise to a county's inmate welfare fund.

State Fiscal Effect: In fiscal 2012, the inmate welfare funds received \$4,958,265 from commissions on inmate telephone calls. DPSCS assumes that 4,938 qualifying inmates, with one minor child, make two calls per month, lasting 15 minutes each. Based on that information, and assuming a collect call local rate of 65 cents per minute, the bill reduces deposits to the funds by \$96,291 per month, and by \$1,155,492 per year. In fiscal 2014, due to the bill's October 1, 2013 effective date, special fund revenues decrease by \$866,619. Actual decreases may vary depending on the number of eligible inmates, the number and duration of calls, and the departmental methodology used to determine financial need.

Local Fiscal Effect: In 2012, the Maryland Correctional Administrators Association (MCAA) surveyed local correctional facilities regarding inmate telephone commissions and whether the profits from the commissions are deposited to an inmate welfare fund, a general fund, or another fund. Sixteen of the 23 counties responded, with 11 showing deposits to an inmate welfare fund. Ten of the jurisdictions (Allegany, Caroline, Dorchester, Garrett, Harford, Queen Anne's, St. Mary's, Talbot, Washington, and Wicomico counties) reported sending 100% of profits to an inmate welfare fund. Five jurisdictions (Baltimore, Calvert, Carroll, Charles, and Prince George's counties) reported sending 100% of profits to the general fund. Frederick County reported a 50/50 share between the general fund and an inmate welfare fund. It is possible that some of the jurisdictions that did not respond to the MCAA survey also have inmate welfare funds.

Montgomery County indicates that it is the only county in the State that accepts no commissions for its inmate telephone program. Under the bill, Montgomery County and any other county without an inmate welfare program would not have a fund to draw upon to be used for telephone calls that take place between an inmate and the minor child of an inmate.

Harford County estimates that the bill results in decreased telephone revenues for its inmate welfare fund of about \$27,800 in fiscal 2014, growing to about \$37,200 by fiscal 2018. Wicomico County estimates commission losses of only \$2,000 annually, but reports that it needs to hire one additional correctional officer to handle verification and reporting responsibilities.

It is likely that the bill presents some operational and administrative difficulties for correctional facilities in most jurisdictions. However, to the extent that an inmate welfare fund currently exists within the county, most local correctional officials should be able to implement the bill's requirements with existing resources.

Additional Information

Prior Introductions: Similar bills were introduced in 2012 addressing only local correctional facilities. SB 910 of 2012 received a hearing by the Senate Judicial Proceedings Committee, but no further action was taken. Its cross file, HB 1147, received a hearing in the House Judiciary Committee but was subsequently withdrawn.

Cross File: Although HB 1138 (Delegate Carter, *et al.* – Judiciary) is identified as a cross file, it is different.

Information Source(s): Harford and Wicomico counties, Maryland Correctional Administrators Association, Baltimore City, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2013
mc/lgc

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