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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

December 21, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW
Washington, D.C. 20554

NOTICE OF EX PARTE
PRESENTATION

Re: CC Docket No. 96-128 (remand of inmate service issues)

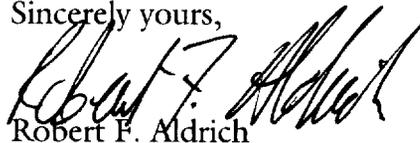
Dear Ms. Salas:

On December 20, 2000, Robert Aldrich of this law firm and Vince Townsend of Pay-Tel Communications, Inc., representing the Inmate Calling Service Providers Coalition, met with Anna Gomez, Senior Legal Advisor to Chairman Kennard.

We discussed the proceeding regarding inmate calling services on remand from the United States Court of Appeals for the D.C. Circuit. In particular, we discussed the need for the Federal Communications Commission to provide, pursuant to 47 U.S.C. § 276, fair compensation for inmate service providers for local collect calls where state rate ceilings preclude recovery of the cost of the calls.

The substantive points discussed are reflected in the enclosed documents which were handed out at the meeting.

Sincerely yours,



Robert F. Aldrich

RFA:nw

cc: Anna Gomez

Enclosures

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An Approach to Fair Compensation and Reasonable Rates for Inmate Service

Pursuant to 47 U.S.C. § 276, the FCC must ensure that providers of telephone service to inmates of confinement facilities are fairly compensated for each call made from their phones. At the same time, under 47 U.S.C. § 201, inmates of confinement facilities and their families are entitled to reasonable rates. In the pending inmate service remand, the Commission has an opportunity to promote both objectives: (1) *fair compensation* and (2) *reasonable rates* for inmates and their families.

I. The Problem: High Long Distance Rates in Most States and Low Local Rate Ceilings in Some States

- ◆ *Long distance rates* for service to inmates in most states are very high. The FCC does not currently regulate rates for interstate long distance calls, and in many states there is no active regulation of long distance rates.
- ◆ In the proceeding immediately before the FCC, CC Docket No. 96-128, which deals with Section 276, inmate service providers are requesting fair compensation for service to jails in those states where *artificially low state rate ceilings* preclude recovery of the full cost of *local* collect calls.
 - For example, Tennessee imposes a rate ceiling of \$.85, which does not cover the cost of a local collect call from confinement facilities.
 - Local calls make up over 80% of the calls from city and county jails.
- ◆ The two problems are related: in states with low local call rate ceilings, providers of service to jails cannot recover their costs without charging high long distance rates.
- ◆ Requiring providers to charge below-cost rates on *local* calls and thereby forcing them to charge rates above cost on *interstate* calls conflicts with the FCC's recent finding that "it would be an undue burden on interstate commerce to have costs of providing intrastate service to prison inmates cross-subsidized by interstate service ratepayers." *Billed Party Preference for InterLATA 0+ Calls, CC Docket No. 92-*

77, *Second Report and Order and Order on Reconsideration*, FCC 98-9, released January 29, 1998, ¶¶ 55, 61.

II. Addressing the Problem in Docket No. 96-128

In Docket No. 96-128, the Commission can simultaneously address both the local rate ceiling problem and a potential solution to the broader problem of excessive long distance rates.

- ◆ The Commission should rule that, pursuant to Section 276, it will authorize an inmate service providers to exceed a particular state's *local* collect call rate ceiling if the inmate service provider submits cost data showing that the individual provider's per-call costs exceed the rate ceiling in a particular state.
- ◆ To ensure that the provider's rates for *long distance* calls are also fair to inmates and their families, the Commission should require the service provider, as a condition of being allowed to exceed the *local* call rate ceiling in a particular state, to commit to charging cost-based rates for all *other* calls – local, intraLATA, and interLATA (intrastate and interstate) – from facilities served in that state.
- ◆ While the Commission does not directly regulate long distance rates, the Commission may require inmate service providers in this proceeding to develop cost-based rates as a condition of receiving fair compensation for local calls.
- ◆ A provider would demonstrate its costs for local, intraLATA, and interLATA calls, and submit proposed rates for each type of call.
- ◆ A provider's per-call costs for each type of call would be developed, including the following cost categories:
 - line charge
 - usage charges
 - validation
 - maintenance and repairs
 - equipment depreciation
 - overhead

- return
 - commission payments to facilities
 - unbillables/uncollectables
-
- ◆ The provider would use consistent methodologies to develop costs for each type of call.

 - ◆ To limit commission costs, the FCC could require that commission payments to facilities must not exceed a “range of reasonableness” determined by the FCC based on appropriate factors.

Rates for a 12 Minute Local Inmate Collect Call and State-Imposed Rate Ceilings

State	RBOC	Local Usage Rates		Notes	Collect Call Surcharge	Total Rate	Rate Cap?	Rate Cap Details	
		Init. Min	Add'l Min.						
1 Illinois	Ameritech	\$ 0.14	\$ 0.13		\$ 2.50	\$ 4.07	No		
2 New Hampshire	Bell Atlantic	\$ 0.35	\$ 0.24		\$ 1.05	\$ 4.04	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
3 Indiana	Ameritech	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
4 Wisconsin	Ameritech	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at RBOC (Ameritech) tariff rates	
5 Kansas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.25	\$ 3.25	No		
6 California	SBC	\$ 0.35	N/A		\$ 2.90	\$ 3.25	No		
7 Maine	Bell Atlantic	\$ 0.35	\$ 0.14		\$ 1.30	\$ 3.19	Yes	Rates are not capped by rule, but PUC has never allowed a tariff rate higher than Bell Atlantic	
8 Texas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.00	\$ 3.00	Yes	All intrastate collect surcharges capped at \$3.75	
9 Ohio	Ameritech	\$ 0.35	N/A		\$ 2.50	\$ 2.85	Yes	Capped at RBOC (Ameritech) tariff rates	
10 Georgia	Bell South	\$ 0.35	N/A		\$ 2.45	\$ 2.80	Yes	Capped at RBOC (Bell South) tariff rates	
11 Nebraska	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No		
12 North Dakota	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No		
13 Wyoming	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No		
14 Oklahoma	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 2.55	\$ 2.55	Yes	Capped at maximum rate of any certificated ILEC in state	
15 South Dakota	US West	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 2.10	\$ 2.45	Yes	Capped at RBOC (US West) tariff rates	
16 Michigan	Ameritech	\$ 0.35	N/A		\$ 2.05	\$ 2.40	Yes	Rates capped at 300% of average of carrier rates	
17 Colorado	US West	\$ 0.35	N/A		\$ 1.85	\$ 2.20	Yes	Capped at RBOC (US West) tariff rates	
18 Connecticut	SBC	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.75	\$ 2.10	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
19 Florida	Bell South	\$ 0.35	N/A		\$ 1.75	\$ 2.10	Yes	Collect call surcharges capped at \$1.75	
20 Vermont	Bell Atlantic	\$ 0.35	N/A		\$ 1.65	\$ 2.00	No		
21 Missouri	SW Bell	\$ 0.35	N/A		\$ 1.60	\$ 1.95	No		
22 New York	Bell Atlantic	\$ 0.35	See note	Init 3 min \$.35, \$.05 ea. add'l 2 min	\$ 1.30	\$ 1.90	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
23 Kentucky	Bell South	\$ 0.35	N/A		\$ 1.50	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
24 New Mexico	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No		
25 Utah	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No		
26 Rhode Island	Bell Atlantic	\$ 0.35	See note	Init 5 min \$.35, \$.05 ea. add'l 3 min	\$ 1.35	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
27 New Jersey	Bell Atlantic	\$ 0.35	See note	Init 4 min \$.35, \$.10 ea. add'l 4 min	\$ 1.26	\$ 1.81	No		
28 Arkansas	SW Bell	N/A	N/A	no per minute rate -- surcharge only	\$ 1.80	\$ 1.80	Yes	Capped at RBOC (SBC) tariff rates	
29 Mississippi	Bell South	\$ 0.35	N/A		\$ 1.44	\$ 1.79	Yes	Capped at RBOC (BellSouth) tariff rates	
30 Montana	US West	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.35	\$ 1.70	No		
31 Pennsylvania	Bell Atlantic	\$ 0.35	See note	Init 10 min \$.35, \$.05 ea. add'l 3 min	\$ 1.30	\$ 1.70	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
32 Louisiana	Bell South	\$ 0.35	See note	Init 5 min \$.35, \$.35 ea. add'l 5 min	\$ 1.63	\$ 1.68	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
33 Arizona	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
34 Idaho	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No		
35 Iowa	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
36 Minnesota	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at RBOC (US West) tariff rates	
37 Oregon	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No		
38 Alabama	Bell South	\$ 0.35	N/A		\$ 1.25	\$ 1.60	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
39 Hawaii	GTE	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.20	\$ 1.55	No		
40 Delaware	Bell Atlantic	\$ 0.35	N/A		\$ 1.10	\$ 1.45	No		
41 Nevada	SBC	\$ 0.35	N/A		\$ 1.00	\$ 1.35	Yes	Capped at RBOC (SBC) tariff rates	
42 Massachusetts	Bell Atlantic	\$ 0.35	N/A		\$ 0.86	\$ 1.21	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
43 North Carolina	Bell South	\$ 0.35	N/A		\$ 0.80	\$ 1.15	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
44 Virginia	Bell Atlantic	\$ 0.35	N/A		\$ 0.75	\$ 1.10	No		
45 South Carolina	Bell South	\$ 0.35	N/A		\$ 0.70	\$ 1.05	Yes	Capped at tariffed rates of prevailing ILEC for origination of call	
46 Washington	US West	\$ 0.35	N/A		\$ 0.65	\$ 1.00	Yes	Capped at maximum rate of any certificated ILEC in state	
47 Maryland	Bell Atlantic	\$ 0.35	N/A		\$ 0.60	\$ 0.95	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
48 West Virginia	Bell Atlantic	\$ 0.35	N/A		\$ 0.60	\$ 0.95	Yes	Rates not capped by rule, but PUC has never allowed tariffed rate higher than Bell Atlantic	
49 Tennessee	Bell South	\$ 0.35	N/A		\$ 0.50	\$ 0.85	Yes	Capped at RBOC (Bell South) tariff rates	
50 Alaska		N/A	N/A		N/A	N/A	N/A	N/A	
						\$ 2.06			

* The surcharge allowed on inmate calls is lower than the surcharge allowed on regular collect calls in these states.

INMATE SERVICE - 12 Minute Local Collect Call COST ANALYSIS

VARIABLES	Pay Phone		Inmate	
	¹ Local Collect Call		Local Collect Call	
Local Service Charges	² \$	52.53	\$	64.05
Flex-ANI Charge	\$	1.08	\$	1.08
Number of Calls		439		268
Billing & Collection Fees	³ \$	0.18	\$	0.18
Maintenance	\$	18.90	\$	24.12
Equipment Depreciation	\$	12.73	\$	29.48
Overhead Total	\$	19.62	\$	59.96
Return (profit)	⁴ \$	15.31	\$	22.10
Commission %	⁵	30%		30%
Unbillables %	⁶	0%		5%
Uncollectibles %	⁷	2%		14%
Tax				

	(1) Pay Phone		(2) Inmate		Cost Differential (Col 2- Col 1)
	Local Collect Call		Local Collect Call		
Local Service Charges	⁸ \$	0.122	\$	0.243	\$ 0.121
Billing & Collection Fees	\$	0.180	\$	0.180	\$ -
Validation	⁹ \$	0.113	\$	0.170	\$ 0.057
Maintenance & Repairs	\$	0.043	\$	0.090	\$ 0.047
Equipment Depreciation	\$	0.029	\$	0.110	\$ 0.081
Overhead	\$	0.045	\$	0.224	\$ 0.179
Return (profit)	\$	0.035	\$	0.082	\$ 0.048
Total Costs	\$	0.567	\$	1.099	\$ 0.532
Commission @ 30%	\$	0.254	\$	0.647	\$ 0.393
Unbillables/Uncollectibles @ 19%	\$	0.025	\$	0.410	\$ 0.384
TOTAL	\$	0.846	\$	2.155	\$ 1.309

FOOTNOTES:

- 1) Except where indicated, average figures for payphone services are taken from the FCC's Third Report and Order, and average figures for inmate services are taken from prior Coalition filings
- 2) Local service charges for payphone services include usage charges as estimated by the RBOC/GTE/SNET Coalition. Local service charges for inmate services are estimated based on analysis of ILEC tariffs in the 13 states w/ the lowest local collect call rates.
- 3) Estimate based on review of LEC and clearinghouse fees
- 4) Payphone returns calculated at 11% and inmate returns at 15%

- 5) Commission % for payphone services is assumed to be equal to commission % for inmate services**
- 6) Unbillables for payphone services are estimated to be negligible. Estimated unbillables for inmate services have increased from 3% to 5% since previous Commission filings**
- 7) Uncollectibles for payphone services are based on estimate provided by clearinghouse**
- 8) Flex ANI fees are included in Local Service Charge per-call calculations**
- 9) Validation estimates based on estimated call completion ratios for payphone services and inmate services**

EXPLANATION NOTES: INMATE SERVICE COST ANALYSIS

- A. (Footnote 2) Local Service Charges are based on an actual average of Local Exchange Carrier fees for a payphone line, including (but not limited to) basic line charges, End User Common Line Charge (EUCL), Primary Interexchange Carrier Charges (PICC), blocking and screening, Relay (TRS) and 911 fees. The charges for the "Local Inmate Call" chart include charges incurred for Local Measured Service.
- B. (Footnote 3) Industry statistics show that for each inmate collect call that is actually "answered and accepted", there is also one call that is "answered and not accepted". "Answered and not accepted" normally means that the call was answered by an answering machine, triggering the automated system to consider the call answered, thus delivering the automated message announcing the call and asking for positive acceptance. Since an answering machine cannot positively accept the call, the system will "time out" and disconnect the call. These calls are not billed to the consumer. The inmate service provider is still billed for the first minute increment by its long distance carrier. This means that on average, the provider is billed one additional minute for a separate call per call that is actually answered and accepted.
- C. (Footnote 4) Billing and Collection Fees estimates are based on a review of current fees charged by LECs and clearinghouses. Charges include "bill rendering fees" (charge for including records in LEC customer's bill, regardless of number of records) and "per message fees", which are based on the number of records for each customer's bill, and clearinghouse fees where applicable.
- D. (Equipment Depreciation) Figure based on an average of \$1,768 in equipment expense per line depreciated over 5 years. (Inmate: $\$1,768 / 60 \text{ months} = \29.48 per month). This monthly figure is further divided by the number of inmate calls per line.
- E. (Overhead Total) Overhead is based on industry averages and includes all traditional overhead items, plus the cost of such support items as database management, fraud investigation and traffic analysis, fraud investigation blocking, facility support, customer support, and billing and collection support that is inherent and required in the inmate service provider environment.
- F. (Validation) All calls are "validated" through the Line Information Data Base (LIDB) to ensure that the number is billable. Each call is validated prior to the call being dialed from the inmate equipment. This means that each attempt is validated, regardless of the outcome of the call. Industry statistics show that for each call that is "answered and accepted" (as in B. above), there is one call "answered and not accepted (or rejected)", and one call that reaches a busy signal or a no answer. This means that for each call that is successfully completed and billed, there are on average 3 separate validations.
- G. (Return/profit) Return/profit is calculated as an annual percentage "return on investment". In the case of the inmate example, the "equipment expense per line" of \$1,768 is multiplied by 15% to arrive at an "annual return" amount ($\$1,768 \times 15\% = \268.20). This annual return is then divided by 12 to arrive at a monthly return figure ($\$268.20 / 12 = \22.10).

**INMATE SERVICE - 12 Minute Intra/Inter-LATA Collect Call
COST ANALYSIS - NC, SC, TN**

VARIABLES	Pay Phone		Inmate	
	¹	<u>Intra/Inter-LATA Call</u>	<u>Intra/Inter-LATA Call</u>	
Local Service Charges	²	\$ 31.00	\$	35.51
Flex-ANI Charge		\$ 1.08	\$	1.08
Long Distance Charges (per call)	³	\$ 0.32	\$	1.04
Number of Calls		439		268
Billing & Collection Fees	⁴	\$ 0.18	\$	0.18
Maintenance		\$ 18.90	\$	24.12
Equipment Depreciation		\$ 12.73	\$	29.48
Overhead Total		\$ 19.62	\$	59.96
Return (profit)	⁵	\$ 15.31	\$	22.24
Commission %	⁶	30%		30%
Unbillables %	⁷	0%		5%
Uncollectibles %	⁸	2%		14%
USF Contribution %				
Taxes				

	(1) Pay Phone		(2) Inmate		Cost Differential (Col 2- Col 1)
	⁹	<u>Intra/Inter-LATA Call</u>	<u>Intra/Inter-LATA Call</u>		
Local Service Charges	⁹	\$ 0.073	\$	0.137	\$ 0.063
Long Distance Charges		\$ 0.320	\$	1.040	\$ 0.720
Billing & Collection Fees		\$ 0.180	\$	0.180	\$ -
Validation	¹⁰	\$ 0.113	\$	0.170	\$ 0.057
Maintenance & Repairs		\$ 0.043	\$	0.090	\$ 0.047
Equipment Depreciation		\$ 0.029	\$	0.110	\$ 0.081
Overhead		\$ 0.045	\$	0.224	\$ 0.179
Return (profit)		\$ 0.035	\$	0.083	\$ 0.048
Total Costs		\$ 0.838	\$	2.033	\$ 1.196
Commission @ 30%		\$ 0.447	\$	1.196	\$ 0.749
Unbillables/Uncollectibles @ 2%/19%		\$ 0.030	\$	0.757	\$ 0.728
USF Contribution @ 5.9%					\$ -
TOTAL		\$ 1.491	\$	3.987	\$ 2.496

FOOTNOTES:

- 1) Except where indicated, average figures for payphone services are taken from the FCC's Third Report and Order, and average figures for inmate services are taken from available industry estimates.
- 2) Local service charges for payphone services include usage charges as estimated by the

RBOC/GTE/SNET Coalition. Local service charges for inmate services are estimated based on analysis of ILEC tariffs.

3) Long distance usage based on a rate of \$.08 per minute with an additional minute added for a call answered and not accepted

4) Estimate based on review of LEC and clearinghouse fees

5) Payphone returns calculated at 11% and inmate returns at 15%

6) Commission % for payphone services is assumed to be equal to commission % for inmate services

7) Unbillables for payphone services are estimated to be negligible. Estimated unbillables for inmate services have increased from 3% to 5% since previous Commission filings

8) Uncollectibles for payphone services are based on estimate provided by clearinghouse

9) Flex ANI fees are included in Local Service Charge per-call calculations

10) Validation estimates based on estimated call completion ratios for payphone services and inmate services

AT&T

INMATE RATES

STANDARD COLLECT RATES

<u>DATE</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>
November 19, 1997	\$3.00 / \$.40	\$7.80	\$2.25 / \$.40	\$7.05
October 17, 1998	\$3.00 / \$.45	\$8.40	\$2.25 / \$.45	\$7.65
November 21, 1998	\$3.00 / \$.50	\$9.00	\$2.25 / \$.50	\$8.25
March 1, 1999	\$3.00 / \$.55	\$9.60	\$3.45 / \$.55	\$10.05
July 8, 1999	\$3.00 / \$.59	\$10.08	\$3.45 / \$.59	\$10.53
July 22, 1999	\$3.95 / \$.59	\$11.03	\$3.45 / \$.59	\$10.53
December 1, 1999	\$3.95 / \$.59	\$11.28	\$3.45 / \$.59	\$11.73
March 1, 2000	\$3.95 / \$.69	\$12.23	\$4.99 / \$.69	\$13.27

Exhibit 12

TELEPHONE CONTRACTS AND COMMISSIONS			
State / Inmate Population	Telephone Provider	Commission Rate	DOC Profits FY 97-98
Texas Pop: 129,661	SW Bell	Not Applicable	
	AT&T		
California Pop: 124,813	MCI	43%	\$15 million
	GTE	33%	
New York Pop: 69,529	MCI	60%	\$20-21 million
	Bell Atlantic	60%	
Florida Pop: 65,117	MCI	50%	\$13.8 million
	Sprint	57.5%	
Ohio Pop: 47,166	MCI	35%	\$14.1 million
	Shawntech	35%	
Michigan Pop: 41,625	Sprint	34%	\$10.3 million (3 quarters only)
	Ameritec	30%	
	GTE (local)	18%	
Illinois Pop: 40,686	Consolidated	50%	\$12-16 million
	AT&T	50%	
	Ameritec	50%	
Georgia Pop: 36,753	Sprint	37%	\$10-12 million
	Bell South	46%	
Pennsylvania Pop: 34,696	Tenetics	50%	\$3 million
	Bell-Atlantic	50%	
	AT&T	50%	
	GTE	30%	
N. Carolina Pop: 31,312	Taltons	46%	\$7 million (projection)
Virginia Pop: 24,629	MCI	39%	\$10.4 million
Missouri Pop: 23,850	MCI	55%	\$ 9-11 million
	Eagle Com.	25%	
	SW Bell	25%	

Source: Telephone survey conducted by committee staff from July to September, 1998

Services

VERIZON Advanced Corrections Services is a total solution to the telecommunications needs of your industry that can be tailored to your needs and requirements.

Advanced Corrections Services provides you with a single point of contact that specializes in the corrections industry. We install all of the payphones, handle all call processing, design and implement network needs, provide call recording and monitoring equipment, voice print identification and many other specialized applications.

One additional key application of Advanced Corrections Services is IntelliFraudsm, a sophisticated, enhanced method for analyzing calling patterns. It is a powerful tool in detecting suspicious calling trends and fighting fraud in correctional facilities. If the IntelliFraudsm system detects a problem, our Fraud Mitigation Task Force is ready to step in and work with you to set up controls and to stop fraud. A thorough analysis of calling patterns can generate standard and tailor-made reports. We can also provide assistance with special investigations, if warranted.

We build and mount our heavy duty corrections payphones to do a long stretch of time, but if you do experience any problems, our service centers are open 24 hours a day, 365 days a year.

At Verizon, we offer our services at fair rates to the inmates' families and a variety of attractive commission and incentive programs for the correctional facility.

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- About Verizon Corrections
- Our Service Footprint
- Quick Find
- Contact Us

Special/Enhanced Calling Features



- Inmate Call Processing
- Standard Calling Features
- System Configuration Options

Verizon Inmate Call Processing has the following special/enhanced features:

- Full PIN
- Call Recording
- Call Monitoring
- Debit Call Processing
- Voice Print Identification
- Physical Cutoff Switches
- Video Imaging
- Commissary
- Jail Management

Full PIN

The Inmate Call Processing System has the option of assigning each inmate a unique personal identification number (PIN) ranging from 5 to 11 digits. The use of PIN numbers will allow corrections officers to know who, when, and from what telephone inmates are calling. Full PIN allows inmates to call from 1 to 30 telephone numbers. The facility will establish the maximum number of telephone numbers each inmate will be allowed to call.

PIN DENIAL occurs when a PIN or any number of inmate's PINs may be turned "off" (deactivated) for a specific period of time at the on-site administrative terminal or from an authorized remote terminal.

PIN CALL TIME LIMIT allows the setting of a maximum time limit for any type of call related to an individual PIN or all PINs.

The Inmate Call Processing System may be programmed to use a PIN or non-PIN mode inside the same facility. For example, a prison can decide to use PINs in maximum or long term areas while allowing all

calls in overnight and work release areas.

Call Recording (universal or selective)

The Inmate Call Processing System, where allowed by law, can record all calls, or just record selectively. Selective recording allows the facility to record all calls made from a particular inmate phone, to record all calls made to a specific phone number, to record all calls made by a specific PIN, or to block recording of specific numbers.

Call Monitoring

The Inmate Call Processing System allows the facility to monitor calls in progress on any inmate telephone line. Any noise activity generated around the observing telephone will not be heard by the inmate and the call party being monitored.

Debit Call Processing

The Inmate Call Processing System allows the correctional facility the option of debit calling in addition to collect calling. The debit system will use a debit account through an existing commissary account or a special debit account that will have funds paid by the inmate or his/her family. Debit calling can also be used for International Calling.

Voice Print Identification

Voice Print Identification is used by the Inmate Calling System along with the PIN. When an inmate makes a call, he/she first will key the PIN and then the ICS will prompt him/her for his name. The inmate might be asked to repeat his/her name more than once. Once approved (in less than a second) the inmate will be able to place the call. Basically voice printing is a method of biometrics authentication of a person's identity that is based on the fact that each person's voice contains a unique signature which is very hard for others to imitate.

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Physical Cutoff Switches

In addition to the Automatic ON/OFF controls of the Inmate Calling System, Verizon can provide per request manual cutoff switches for each telephone, groups of phones, specific cell blocks, or all phones.

Video Imaging

The Video Imaging System is able to capture and integrate inmate photos (front and side view), documents, personal property images, physical body marks, etc. The Video Imaging System integrates the image with the general inmate profile that contains name, physical description, PIN, allowed phone numbers, and booking history.

Commissary

The Inmate Commissary System allows inmates to order commissary items by using their PIN via the same telephone they use for their outgoing calls. It also keeps track of each inmate's monetary account and offers information on inventory of items, price list, and vendors. The system can provide information on daily

transactions, account balance and general ledger.

Jail Management

The Jail Management System is designed to assist the prison facility with various jail administrative tasks such as inmate booking, inmate classification, court details, sentences, release dates, medical and transport. The system has the flexibility to invoice another facility for housing inmates and to generate reports.



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EQUAL JUSTICE INITIATIVE
OF ALABAMA

October 27, 2000

The Honorable William E. Kennard, Chairman
Federal Communications Commission
445 Twelfth Street Street, S.W., Suite 8-B201
Washington, DC 20554

RE: CC Docket No. 96-128 and CCB/CPD No. 00-1

Dear Chairman Kennard:

In a recent speech before the Leadership Conference on Civil Rights, FCC Commissioner Gloria Tristani stated, "one of the most important tasks of a public servant is to give a voice to the voiceless". Today there is no segment of the population in more need of a voice at the Federal Communication Commission than the families of inmates in correctional facilities.

Telephone service is a lifeline for inmates and their families as they attempt to rebuild their lives and maintain contact with their loved ones. It enables a son to tell his dad about the homerun he hit in little league; a daughter to tell her mom about her day at school; and a wife to tell her husband that she believes in him, she loves him, and she will be there for him when he calls.

Today, telephone service for inmates faces two major problems. On the one hand, the long distance rates paid by families of inmates in state prisons are outrageously high and steadily rising. AT&T has raised its interstate inmate phone service rates over 50% over the past three years to fuel excessive profits and offer higher and higher commissions. On the other hand, access to telephone service for inmates in rural county jails is increasingly threatened in many states because of unreasonable management on local collect calls.

Today there are two proceedings before the FCC that can lead to fair and *reasonable rates for ALL inmate collect calls*. First, Section 276 of the Communications Act directs the Commission to ensure fair compensation for "each and every" inmate service call--both local and long distance. The FCC should enable providers of inmate phone service to county jails to charge a cost-justified rate for local calls – *provided that they commit to charge a cost-justified rate for long distance calls as well*. When inmate phone service providers are fairly compensated for local collect calls, this will remove the upward pressure on long distance rates that exists today in a number of states. At the same time, the Commission will ensure that long distance rates will

come down by requiring these inmate service providers charge only cost-justified rates for long distance service.

In addition, implementation of this cost mechanism will establish benchmarks for the costs of inmate telephone service. Inmate family support groups seeking to challenge the long distance rates charged at prisons can cite the FCC-established benchmarks in complaints or litigation to force carriers such as AT&T to reduce their disgraceful long distance inmate service rates. Although long distance rates are currently deregulated, inmate groups are seeking to challenge the level of those rates before courts and administrative agencies. The ability of inmate groups to effectively challenge outrageously high long distance rates will be enhanced if the FCC sets an example of how to determine the reasonableness of such rates in the Section 276 proceeding outlined above.

The second proceeding that will help keep local collect call rates fair is also under Section 276 where Congress directed the Commission to ensure wide-spread development of phones. In many states today the availability of inmate phone service in county jails is threatened by: the exorbitant rates inmate phone service providers are forced to pay the LECs for local service and usage. The single biggest cost element of a local collect call is the rate paid to LECs for local service and usage. In some instances the rate for local usage is several hundred percent above the LEC costs. Therefore, in addition to implementing cost-justified inmate service rates, as outlined above, the FCC must also act on the pending "New Service Test" proceedings¹ to ensure that the providers of inmate phone service pay cost based rates for the local service provided by the incumbent local exchange carrier. *Both these steps are essential to ensure that local and long distance rates are fair and reasonable for families of inmates.*

One other element of the cost for all inmate collect calls must be addressed--commissions. Outlandish commissions have no connection to any legitimate "cost" to providing telephone services in a confinement facility.

Public expenses should be borne by the public generally, and not alone by the families of those imprisoned by the public. The public should fund the recreation programs, prison libraries, family counseling programs and the programs designed to reduce recidivism. Regrettably, today the majority of county jails and state prison systems rely on inmate phone service commissions to fund these life changing programs.

The question is when is a commission reasonable and when is it an obscene tax. First, commission funds should be used exclusively for programs designed to benefit the inmates and their families. Second, commissions should be deemed acceptable if the percentage falls within a "*range of reasonableness*" of 0% to 15 %. Our first choice would be a 0% commission to keep the price of all calls at the lowest possible rate. However, if commissions were somehow mandated to be zero, regrettably there are county sheriffs and state departments of corrections that would lose their incentive to provide regular access to phones for inmates, as is the case today in Texas. This must not happen. However, if commissions are required to fall within a range of reasonableness, competition will focus on providing better quality service and programs such as debit calling to further reduce the price of calls and increase call volumes.

¹Wisconsin CCB/CPD No. 00-1; North Carolina CCB/CPD No. 99-27; Michigan CCB/CPD No. 99-35

In these two proceedings the FCC can perform a service of unmeasurable benefit to every citizen in this country. Lower priced calls will lead to more family contact. *Frequent family contact is proven to reduce recidivism.* If by taking the actions outlined herein more frequent contact with families could lead to a 5%, 10% or even a 20% reduction in repeat offenders the value of reform in this area would be clearly established. Think of the families saved, the citizens saved from harm, the lives saved, and the money saved from having to build more prisons.

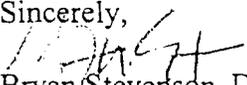
In discussing giving a voice to the voiceless, Commissioner Tristani went on to describe the need for "voices that challenge stock answers, inappropriate stereotypes; and voices that call for better solutions and better answers to questions".

Chairman Kennard, in these two proceedings the FCC has a tremendous opportunity to challenge stock answers and look for a better solution. My hope is that you will stand up to the pressure from the big carriers and demand they cost-justify their rates; that you will have the fortitude to demand the LECs reduce their local service and usage rates to eliminate excessive profits that subsidized other services; and finally I hope that you will tackle the tough challenge of commissions to ensure the availability of regular access to phones for all inmates and keep rates low to inmate families.

The work you do in the next few weeks on this issue will truly give a voice to hundreds of thousands of voiceless families. Years from now you will look back with great pride on the work you are doing now to correct this injustice, and you will know that your team under your leadership was responsible for bringing a lasting benefit to all society.

Thank you for all your efforts to move these proceedings to final orders before the end of the year.

Sincerely,


Bryan Stevenson, Director
Equal Justice Initiative of Alabama

Assistant Professor of Law,
New York University School of Law

cc: Commissioner Susan Ness
Commissioner Harold W. Furchtgott-Roth
Commissioner Michael K. Powell
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May 9, 2000

Chairman William Kennard
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, DC 20554

RE: CC Docket No. 96-128 (Voluntary Remand of Inmate Telephone Services Issues)

Dear Chairman Kennard:

Inmate telephone service companies are currently before the Commission seeking fair compensation for telephone service to jails, pursuant to Section 276(b) of the Communications Act. We believe that this "fair compensation" proceeding provides a unique opportunity for the FCC to take crucial action to reform inmate telephone service rates.

Rates for long-distance inmate telephone services in this country are unjustifiable and disgraceful. When the "free market" allows service providers to extract extortionate rates from inmates and their families, there is a clear and immediate need for regulation. (What parent, receiving a call from a child that originates in a jail or prison, would give a moment's thought to the cost of the call? Or, would decline the call, even knowing he would be "gouged." Most parents would promise to pay any price under those circumstances. But why would we want *any* parent to be faced with such a choice?) That deplorable state of affairs cannot be allowed to continue.

As a means of fostering the maintenance and strengthening of ties between inmates and their families and their communities, the importance of extending inmates telephone privileges has been recognized by the American Correctional Association (October 1996 Resolution on Excessive Phone Tariffs), by the Federal Bureau of Prisons (PS5264.06 Telephone Regulations for Inmates), by the National Sheriffs' Association (Resolution of 14 June 1995), and by other leaders in the Corrections profession.

While there are a number ways in which the development of these relationships can be fostered (as, for example, through visitation and written correspondence), telecommunications services are increasingly integral to human interaction in today's society. Separated from family and friends by the fact of their incarceration, inmates may be especially reliant on telephone privileges to maintain contact with loved ones. This is particularly true for a significant percentage of the incarcerated population who have limited literacy skills.

Chairman William Kennard

May 9, 2000

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Telephone privileges are highly valued by inmates. The availability of telephones provides a powerful incentive for inmates to comply with rules and apply themselves in rehabilitative efforts. The suspension of such privileges for disciplinary reasons can be a particularly stinging punishment, but one that is legally permissible.

For all these reasons, telephone privileges can be a valuable tool in the overall correctional process.

I understand from the inmate telephone service providers that local inmate service rate ceilings in some states are artificially low — capping rates as low as 85 cents per call in Tennessee, and \$1.15 per call in North Carolina. If, as the service providers argue, they are prevented from recovering their costs and a reasonable profit, these rate ceilings threaten the availability of telephone service in county jails.

On the other hand, long distance rates for inmate service are outrageously high and steadily increasing. For example, AT&T has raised its interstate long distance inmate service rates 57% over the last three years. See Attachment. AT&T's current rate for a 15-minute interstate long distance inmate service call is \$14.30, about 15 times the \$.85 rate for a 15-minute local call in Tennessee. It is my understanding that the only difference in cost between these two types of calls is the cost of transmission — probably about one dollar — but the difference in price is **thirteen dollars!** If that is not conclusive evidence of abusive practices, the fact that these companies can offer "commissions" as high as 60% puts the matter beyond credible contention. Such outlandish commissions have no connection to any legitimate "cost" of providing telephone services in a correctional setting. And, paradoxically, the inability of service providers to collect such exorbitant charges appears to be advanced as a justification for ever-escalating rates.

The inmate telephone service providers serving jails argue that, in many states, they are unable to recover all the costs of local calls. Providers of jail telephone service (which is predominantly local service in states like North Carolina and Tennessee) have presented evidence to show they are forced to charge higher rates on their long distance calls in order to make up their losses on local calls. The result is a constant upward spiral of costs and commissions that are being borne by the most disadvantaged, poverty-stricken segment of our population.

Two years ago, when the FCC adopted price-disclosure rules for operator service, the FCC ruled that "We are unaware of any public policy reason why users of interstate operator services should be required to subsidize users of intrastate operator services." *Billed Party Preference for InterLATA 0+ Calls*, CC Docket No. 92-77, Second Report and Order and Order on Reconsideration, FCC 98-9, released January 29, 1998. Yet, it appears that inmate service providers are being forced

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to subsidize intrastate operator services through excessive interstate charges, at inmate families' expense, because no single agency is looking at the whole picture and reconciling the appalling practices associated with the provision of inmate telephone services.

Today, the FCC has a mandate from Congress to look at the whole picture. Section 276 of the Communications Act directs the Commission to ensure fair rates for "each and every" inmate service call — both local and long distance. The FCC, in its Third Report and Order (*Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Third Report and Order, FCC 99-7 (released February 4, 1999, 72-88), established a "bottoms-up" cost mechanism to make sure payphone providers are "fairly compensated" for dial-around calls from payphones.

In this proceeding, the FCC should face the inmate service issue squarely, and resolve it comprehensively. The FCC should require providers of inmate telephone service to justify the price of their calls by filing tariffs supported by a "bottoms-up" cost mechanism that accounts for costs and demonstrates that the proposed return is reasonable. This cost justification process would ensure that inmate calls will be fairly priced for both local and long-distance calls, providing a fair return for inmate service providers, at a reasonable cost to inmates and their families.

Fair pricing on telephone services will strengthen public trust in the FCC. It will also help to re-establish the public trust in telephone companies. While cost justification for rates will result in significantly lower per-call profits, unscrupulous profiteering must be restrained by law, if not by ethical business judgement. Any diminution in profitability will be at least partially offset by a possible increase in the number or duration of calls (and revenue), and by improved collections. In such an environment, the competitive forces of a free market will focus attention on the need to reduce costs, lower rates, and thereby increase traffic and profitability.

Correctional officials will also have to find ways to offset the loss of revenue, but public expenses *should* be borne by the public, generally, and *not alone* by the families of those the public imprisons. And, as already noted, telephones have purposes other than the generation of income in a correctional setting; they can be valuable tools in the overall correctional process.

Of course, inmates and their families will benefit most from regulations that require fair pricing on inmate telephone services. That is only just, since they have borne the pernicious costs of abuse. Fair pricing will make phones more accessible to inmates and communications more affordable to their families. Reasonable rates will help to strengthen family ties and connections with communities, aiding in the eventual re-integration of the offender into free society.

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In this proceeding the FCC truly has an opportunity to take a meaningful step that will have long-lasting benefits for all members of our society. I urge you to exercise your authority to implement a comprehensive approach to the regulation of pricing practices for inmate telephone calls.

Thank you for your attention to this matter, and for your service to our country.

Sincerely,

A handwritten signature in black ink that reads "Michael S. Hamden". The signature is written in a cursive style with a large, sweeping flourish at the end.

Michael S. Hamden

cc: Commissioner Harold Furchtgott-Roth
Commissioner Susan Ness
Commissioner Michael Powell
Commissioner Gloria Tristani

CERTIFICATE OF SERVICE

I hereby certify that on this the 9th day of May, 2000, a true and correct copy of the foregoing **CC Docket No. 96-128 Voluntary Remand of Inmate Telephone Services Issues**, was mailed, first class, postage prepaid, or hand delivered to:

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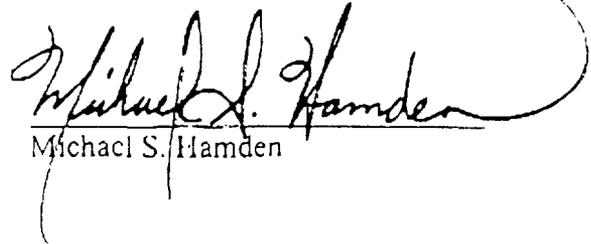
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