June 12, 2015

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 12-375
   Comments re Second Further Notice of Proposed Rulemaking

Dear Ms. Dortch:

I want to let you know about some recent news stories related to your work regulating the prison and jail telephone industry. The attached news stories include editorials by The Boston Globe and The Denver Post in support of further reductions in phone rates. Other stories focus on Ohio, where the Department of Corrections has drastically reduced its phone call rates from some of the highest in the nation to $0.05 per minute.

I believe these stories will be particularly informative as you consider further regulation, but you can always find our collection of press coverage at http://www.prisonpolicy.org/phones/

Thank you for the work you have already done to regulate the prison and jail telephone industry, and I urge the FCC to expand your protection to more families by regulating in-state phone rates and ancillary fees.

Sincerely,

Bernadette Rabuy
Policy & Communications Associate
brabuy@prisonpolicy.org
It’s quite a business model: Charge predatory phone rates for a captive population that has no other communication options. In this case, the target population meets every definition of a captive audience: prison inmates, whose loved ones must pay 20 or 30 times normal rates for a phone call.

As The New York Times reported last month, the companies offering inmate phone calls, including those in Massachusetts prisons, can pay concession fees to prison and correctional facilities in exchange for getting exclusive contracts. These commission costs are then transferred to the customers in the form of phone charges that can run more than $1 per minute. Almost half a billion dollars were paid in 2013 in such fees to prisons and state and local governments. Additionally, the phone companies impose high fees for opening, keeping, or closing a debit account. By any measure, this amounts to blatant exploitation of inmates’ families.

In 2013, the Federal Communications Commission issued a report on the industry along with some long-awaited reforms, including a cap on the rate for an interstate prison collect call at 25 cents a minute. But the industry responded by increasing fees on intrastate calls, which represent the vast majority of all prison calls. The FCC is currently considering more restrictions, such as limiting or banning the concession fees and capping the intrastate and local prison phone calls.

Alarming, the industry is only expanding — and the FCC should pay close attention. Securus, the company that controls between 20 and 30 percent of the prison market, has been rolling out video visitation through a computer screen. The Prison Policy Initiative, an advocacy group based in Massachusetts, found that the service, at a cost of $1.50 per minute, is nothing like the high-quality and affordable video technology of Skype and FaceTime. Not surprisingly, the service has drawn criticism and lawsuits, some of those criticisms based on Securus’s requirement that prisons eliminate face-to-face visits completely if they want to offer their video service.

Companies contend that any rate below 20 cents a minute would dramatically reduce their operating margins and compromise their ability to adequately monitor the calls for security purposes. But prison advocates recommend a maximum rate of 7 cents a minute, which would still allow the companies to run a sustainable business.

By paying exorbitant phone fees, families and friends of inmates are effectively subsidizing operating costs of local and state prisons. It’s a flawed, counterproductive policy, and the FCC agrees: “Studies make clear that inmates who maintain contact with family and community while in prison have reduced rate of recidivism and are more likely to become productive citizens upon their release,” according to a commission document. The law should reflect that finding, and remove a needless financial burden on inmates’ families.
Charge Colorado inmates fairly for phone calls
By The Denver Post Editorial Board
Updated: 01/28/2015 05:29:26 PM MST

There is broad consensus on the benefits of prisoners keeping in touch with family and friends back home.

So it was disturbing to read in a Colorado prisons audit that inmates were being charged significantly more to make phone calls than the service costs.

In fact, the prison system in 2014 took in $1.53 million more than it cost to run the system, resulting in a 58 percent profit margin.

To be sure, prisons use the profit to pay for prisoner recreational equipment, library resources, cable TV, computers and the like. And there is value in occupying the bodies and minds of inmates, most of whom will return to communities after they serve time.

Nevertheless, charging prisoners $2.90 for a prepaid 15-minute, in-state collect phone call is a lot — especially when inmates in other states using the same provider pay 72 cents or less.

Even though the state Department of Corrections (DOC) uses the money for prisoner benefit, statute and policy prohibit charging far in excess of what a service costs, the audit said. Clearly, the DOC should change course.

To send a letter to the editor about this article, submit online or check out our guidelines for how to submit by e-mail or mail.
Letter to the editor: Families pay price for jail phone calls

Tulsa World (Oklahoma)
February 22, 2015 Sunday

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Length: 239 words

Byline: J.E. Williams, Sapulpa

Dateline: Tulsa, OK

Body

The Tulsa World article on the cost to families to make phone calls to inmates was right on ("Inmates' families gauged on phone calls," Feb. 16). It's true in Creek County.

It is cruel to the families of inmates. It is usually grandparents or moms and dads living on marginal incomes who still love their ornery son or daughter who suffer the costs of these phone calls.

When a normal phone call from the Creek County Jail to any number in the county could be made for free using a regular land line, it is downright immoral to charge the outlandish fees the county charges. And the phone system is operated by an out-of-state company to boot.

In addition, the fees charged for the jail commissary products are outlandish. An 18-ounce jar of peanut butter costs the inmate $7.69. Reasor's sells it for less than $3.

Who is really suffering from these inflated prices? The families.

We need to change this monetary abuse, but don't look for the local politicians or sheriff's departments to do anything about it. It is a big source of revenue.

As compassionate human beings, we really need to quit saddling non-violent offenders with all sorts of fees and charges that they can never pay when they are released.

Let's use the idea of time served to mean that their debt is paid and give them the chance to change their lives.

I pray for changes to our justice system.

Letters to the editor are encouraged. Send letters to letters@tulsaworld.com

Classification

Language: ENGLISH

Publication-Type: Newspaper

Subject: CORRECTIONS (78%)

Geographic: OKLAHOMA, USA (92%)

Load-Date: February 23, 2015
Ohio inmates could soon pay 75 percent less to call friends and family as the state looks to forfeit a $15 million kickback from its phone vendor.

The plans come ahead of expected additional rules by the Federal Communications Commission that would cap how much states and phone providers, such as Ohio's vendor Global Tel Link, can charge inmates for calls.

A year ago, FCC caps went into effect on out-of-state calls, making a 15-minute call no more than $3.75, compared with previous charges up to $17.30 in some states ($16.97 in Ohio), according to research from Prison Legal News.

The FCC is in the midst of doing the same thing for in-state long distance calls. In Ohio, a 15-minute collect call in-state costs $5.87, giving it the fifth-highest cost in the nation, said Alex Friedmann, managing editor of Prison Legal News and associate director of the Human Rights Defense Center.

Ohio prisons director Gary Mohr said officials are in the midst of finalizing negotiations with Global Tel Link, but he said he anticipates a 75 percent reduction in costs for calls.

"The governor believes, as I do, that inmates should be able to maintain contact with their families," Mohr said, adding that connections with family are a "significant" component of rehabilitation and reducing recidivism.

The anticipated loss of the $15 million commission, the highest in the nation ahead of Illinois' $12.9 million, has been built into the governor's budget proposal to avoid laying off staff, Mohr said. The commission has been used to pay for 37 recovery services employees, 86 educational employees, inmate pay and advanced training.

The budget proposal moves recovery services over to the Department of Mental Health and Addiction Services and includes a funding boost. The prison's operation budget also includes an increase of $138 million, which covers funds to keep current staff and potentially add more as dictated by population growth needs.

Although Friedmann commends Ohio's move to reduce costs for inmates and their families, he said more sweeping reform, such as what is happening with the FCC, is still needed.

"The fact remains that prison phone companies and the (department of correction) have exploited prisoners' families for decades through extremely high rates, and Ohio has received the largest amount of prison phone commission kickbacks in the nation in recent years. Thus, comprehensive reforms are needed beyond lower phone rates, including the elimination of kickbacks from phone companies and banning ancillary fees that prisoners' families have to pay to speak with their incarcerated loved ones. Partial reforms are not sufficient," Friedmann said.

Changes to the nation's prison calling system began with a lawsuit filed in Washington, D.C., more than a decade ago. In 2003, the case was moved to the FCC to review and address rule concerns.

jison@gannett.com
Phone calls from prison cheaper

Dayton Daily News (Ohio)

April 1, 2015 Wednesday

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Section: LOCAL & STATE; Pg. B4

Length: 172 words

Byline: By Amanda Seitz

A phone call from prison just got cheaper.

Officials from the Ohio Department of Rehabilitation and Correction announced starting today the price they charge for inmates to make a phone call will be dramatically slashed.

The agency - which contracts with Global Tel Link to provide phone services from prison - renegotiated its contract to provide telephone calls at a rate of five cents per minute.

Lowering the phone charges will help inmates stay connected to their family while they serve their time and could reduce the number of cellphones smuggled into the prisons, DRC director Gary Mohr said.

"People are going to be able to be connected," Mohr said. He added that keeping families connected could reduce recidivism rates in the long term.
"I think it's the right thing to do."

The change in price comes after a Federal Communications Commission report released in 2013 found prisons across the country were charging excessive fees that imposed an "unreasonable burden on some of the most economically disadvantaged in our society."

Classification

Language: ENGLISH

Publication-Type: Newspaper

Subject: CORRECTIONS (90%); TELEPHONE RATES (88%); FAMILY (87%); RECIDIVISM RATES (73%); SMUGGLING (72%); CONTRACTS & BIDS (71%); ENERGY & UTILITY LAW (51%)

Organization: FEDERAL COMMUNICATIONS COMMISSION (52%)

Industry: TELEPHONE RATES (88%); MOBILE & CELLULAR COMMUNICATIONS (73%); MOBILE & CELLULAR TELEPHONES (73%); ENERGY & UTILITY LAW (51%)

Geographic: OHIO, USA (88%)

Load-Date: April 1, 2015
More than 50 former state Attorneys General have written to the FCC to urge the agency to act on high intrastate phone rates at jails, prisons, and other detention facilities.

In a filing in Wireline Competition docket 12-375, the former AGs said they "fully understand the pressures on state budgets and how government often struggles to come up with enough funding to do even the simplest of things. And finally, because most of us were elected officials, we have a firm grasp on the lack of popular support shown for prisoners and their families.

"Fully armed with this understanding, we also are fully aware that 95% of the 2.2 million people held in prison and jails in the United States will one day be returned to society," the former AGs added. "We know that recidivism rates are high and that we as a society should do all that we can to lower that rate."

The former AGs said the FCC took the first step in addressing the problem with prison phone rates by addressing interstate rates in February 2014. But they added that 85% of phone calls made by inmates are intrastate, and the "cost of those calls remains high because they are not affected by the Commission's rate cap."

The former AGs added that the FCC should eliminate the practice of phone service providers taking prepaid funds from prisoner accounts if the account is "inactive" for a period of time. In addition, the service providers should "not be allowed to charge refund fees to return consumer funds," they added.

The FCC should establish "reasonable benchmark rates for intrastate phone calls made from prisons, jails and other detention facilities, to reduce the cost of such calls and thereby enhance the ability of prisoners to maintain connections with their families," the former AGs said. - Brian Hammond, brian.hammond@wolterskluwer.com

Notes

PUBLISHER: Aspen Publishers, Inc.

Classification

Language: ENGLISH

Publication-Type: Newspaper

Journal Code: TDAILY
Subject: PRISONS (90%); TELEPHONE RATES (90%); GOVERNMENT BUDGETS (78%); RECIDIVISM RATES (73%); ATTORNEYS GENERAL (73%); gghea Geriatric Health; c13 Regulation/Government Policy; ccat Corporate/Industrial News; gcat Political/General News; ggroup Demographic Health; ghea Health; ncat Content Types; nfact Factiva Filters; nfcpin C&E Industry News Filter

Company: fedcc Federal Communications Commission

Organization: FEDERAL COMMUNICATIONS COMMISSION (94%)

Industry: TELEPHONE RATES (90%); GOVERNMENT BUDGETS (78%); BUDGETS (77%); WIRED TELECOMMUNICATIONS CARRIERS (77%)

Geographic: UNITED STATES (79%); usa United States; namz North America

Load-Date: January 21, 2015
The High Cost of Calling the Imprisoned

Deals for Providing Phone Service to Inmates Have Come Under Federal Scrutiny

By TIMOTHY WILLIAMS

Since the police in Pennsylvania arrested Anthony Kofalt last March for walking out of a Walmart with 21 boxes of Crest Whitestrips he had not paid for, his wife, Heather, has spent $3,000 — about $60 a week — on phone calls to the prisons and jails where he has been held.

The cost of a 15-minute call is $12.95 to the prison where Mr. Kofalt is now incarcerated, a few hours' drive from his wife's home in Franklin, Pa. The cost for a similar non-prison call within Pennsylvania would be about 60 cents.

And every time Ms. Kofalt deposits $25 into the prison phone account, the private company that runs the system applies a service charge of $6.95. "I don't drive," said Ms. Kofalt, 39, who works as a home health care aide and lives with her 19-year-old son, her girlfriend and their two children. "This is all we have. The people in jail did wrong, but the only people being punished are the families."

Until the 1990s, inmates could place and receive calls to lawyers and family members at rates similar to those outside prison walls. But the prison phone system is now a $1.2 billion-a-year industry dominated by a few private companies that manage phones in prisons and jails in all 50 states, setting rates and fees far in excess of those established by regular commercial providers. The business is so considerable — some 500 million prison and jail phone calls totaling more than six billion minutes in 2014 — that it has caught the eye of private equity firms.

Now, after years of complaints from prison rights groups and families of the incarcerated, the Federal Communications Commission is investigating the financial intricacies of the industry, which has been largely unregulated.

At the core of the inquiry are the hundreds of millions of dollars in concession fees, known as commissions, paid by the phone companies to state and local prison systems in exchange for exclusive contracts. The fees help drive phone charges as high as $1.22 per minute, and the leading companies say they need to charge to at least 20 cents per minute, compared with typical commercial rates of about 4 cents a minute.

In 2013, a total of $460 million in concession fees was paid to jails and prisons, and to state, county and local governments, according to the F.C.C. The fees are legal, and they cover a range of expenses within prisons as well as outside.

The agency is expected to rule this year on whether to ban the concession fees and limit the costs of prison phone calls.

An analysis released in 2013 by the F.C.C. said the fees "have caused inmates and their friends and families to subsidize everything from inmate welfare to salaries and benefits, states' general revenue funds and personnel training."

It added, "The companies compete not based on price or service quality, but on the size of the commission."

The possibility of eliminating the fees has met fierce opposition from prisons and jails, sheriff's departments and local officials. Some law enforcement groups have said changes could stoke inmate violence against prison guards because there might be less money for security.

"I don't know any sheriff who's making a profit," said Jonathan Thompson, executive director of the National Sheriffs' Association, a group that supports the concession fees. "What they are trying to do is to provide a service for their inmates while protecting their communities."

But in providing that service, the companies are generating a lot of money.

Global Tel-Link Corp. and Securus Technologies, the dominant players in the industry, have each changed hands twice among private equity firms since 2009. Global Tel-Link, which controls 50 percent of the market for correctional institutions, was sold for $1 billion in 2011 to American Securities, a New York-based firm. Securus, which has about 20 percent of the market, was
Steep Prices for Talking With an Inmate Are Under Federal Scrutiny

In-state phone calls that cost as much as $1.22 per minute.

In its first foray into regulating the industry, the F.C.C. in February 2014 capped the cost of interstate calls to and from prisons at 25 cents. Phone companies responded by increasing fees on calls made to and from prisons in the same state, which account for about 90 percent of prison and jail calls.

Global Tel-Link and Securus say any rate cap below about 20 cents a minute would cut too deeply into their operating margins, preventing them from adequately providing monitoring of calls for security.

But prisoner advocates say a cap of about 7 cents a minute would allow phone companies to make a profit while providing inmates more opportunities to speak to their families.

Richard A. Smith, Securus’s chief executive, said in a letter to regulators that his company had paid $1.3 billion in concession fees to prisons and local governments over the past decade. He did not return calls and emails seeking comment.

“We believe that the intention of the commission to allow correctional facilities to recover the costs of hosting inmate calling while seeking to address pricing issues in the market is a step in the right direction for all parties involved,” Kirk Vespestad, a Global Tel-Link spokesman, said in a statement.

The significance of the fees paid to win a contract was illustrated recently in a solicitation by the Arizona Department of Corrections for a new five-year phone contract. The department’s bidding system awarded 1,250 points to the company that proposed paying the highest concession fee. All other factors, including technical requirements, were worth only a combined 300 points.

Joymara Coleman, a 25-year-old California college student, met her father for the first time last summer at the Louisiana penitentiary where he is serving a life sentence for murder. She said the cost of phone calls meant that she had talked to him only twice since her visit.

Adding to her financial and psychological strain, she said, are two brothers also serving time in prison.

“I’m the first in my family to go to college,” Ms. Coleman said. “I don’t have the money. I’m just trying to keep the family together.”
Prisoners Pay Millions To Call Loved Ones Every Year. Now This Company Wants Even More.

A captive market, no competition and government contracts that make monopoly-enabled price gouging the industry standard -- it’s never been in doubt that the prison phone business is a very profitable model.

A presentation that the privately-held prison telecom company Securus made to investors that The Huffington Post obtained shows just how much money there is to be made as the state-sanctioned middleman between prisoners and the outside world: $404.6 million last year alone.

Securus, which provides phone services to 2,600 prisons and jails in 47 states, made $114.6 million in profit on that revenue in 2014. Securus’ gross profit margin -- a measure of the difference between the cost to provide its services, and what it charges for them -- was a whopping 51 percent. And Securus, with a 20 percent market share, isn’t even the biggest prison phone company. That would be Global Tel-Link, or GTL, which has a 50 percent market share, the New York Times reported. GTL drew national attention for its prominent role in the 2014 viral podcast Serial.

While Securus is already making massive profits off of prisoners and their families, they are also looking for other, faster-growing revenue streams. In an April 15 presentation to investors, the company sought $205 million in debt to fund its purchase of JPay, a telecommunications company that provides banking, electronic communication and entertainment to over a million prisoners in 29 states.

Buying JPay will allow Securus to move beyond the analog world of voice phone calls, and into faster-growing businesses like money transfers, email and video chat, and selling prison-approved tablets that allow inmates and families to purchase music and games. (Securus announced on April 14 that they had successfully reached an agreement to purchase JPay.)

Securus has already seen major earnings growth in recent years. When the current management team took over in 2008, earnings were at $41.7 million. Since then, they’ve grown roughly $10 million each year between 2008 and 2013. Profits soared between 2013 and 2014, jumping from $87 million to $114.6 million in a single year.

Acquiring JPay allows Securus to increase its valuation substantially. Securus was sold to Boston private equity firm ABRY Partners in 2013 for $640 million. The company’s
2014 earnings suggest the company alone is now worth around $950 million. Add in the successful acquisition of JPay, plus the 20 percent annual profit growth they’ve seen in recent years and a good banker to talk the whole thing up, and a valuation of $1.5 billion to $2 billion isn’t outlandish.

Securus and ABRY did not immediately respond to requests for comment. JPay declined to comment.

Like most acquisitions, it is also a boon for jargon: Securus notes that it is excited about the “cross-sell / up-sell opportunities (alongside combination cost-savings)” which will increase Securus’ “growth and broaden its revenue base.” More than most mergers, however, the jargon quickly becomes nauseatingly detached from the human reality of the business both companies are in -- forcing prisoners to pay high rates to talk to family and friends, listen to music or play video games.

The acquisition is attractive, Securus says in the presentation, because the approximately $75 billion the U.S. spends annually on the entire corrections industry represents “a large, recession-resistant and stable market.” In the U.S., “inmate population and corrections expenditures,” the company notes, “have grown steadily for 3 decades.” By acquiring JPay, the company will be able to more fully exploit the business opportunity of mass incarceration, Securus leaders pitched: “The acquisition of JPay results in a comprehensive communication and tech-enabled solution provider” that is “well positioned for organic growth.”

As uncomfortable as that sort of business-school jargon may sound in the context of the for-profit prison telecom industry, illustrating what Securus does using stock photos only reinforces the unease. Here’s a cheerful Securus representative and a bank of computers between a smiling mother and children, and a faceless inmate.

Debt investors aren’t the only intended audience for this sort of management rhetoric. In an April 14 petition to The New York State Public Service Commission requesting permission to take on the additional debt, Securus said its acquisition of JPay “will serve the public interest” by generating market efficiencies. That petition was approved by default on May 29.

In another slide, Securus cringingly declares that it “provides a best in class set of business attributes for facilities, inmates, friends/family members, and investors.” Inmates, family and friends would have a less positive view of the hundreds of millions of dollars a year they are paying to Securus.

MORE: For Profit Prisons Prisons Mass Incarceration Adnan Syed Federal Communications Commission Securus Technologies