

**ANALYSIS OF NEW PHONE SYSTEM FOR
MICHIGAN DEPARTMENT OF CORRECTIONS**

The Michigan Department of Corrections has entered into a new telephone contract with PCS. Rates are nearly doubling as is evident from the chart below.

	EMBARQ Per Minute Rates	PCS Per Minute Rates	Increase
Intrastate Collect	\$0.12	\$0.20	67%
Interstate Collect	\$0.15	\$0.23	64%
Intrastate Debit	\$0.10	\$0.18	80%
Interstate Debit	\$0.12	\$0.21	75%

The per-minute base rates on the new contract are actually quite low. Most of the increase is attributable to charges for the creation of a Special Equipment Fund. The chart below shows the breakdown of the per-minute rates under the new contract and the portion of the rate that is attributable to the new fund.

	Base Rate Per Minute	Key Word Search Per Minute	Special Equipment Fund Per Minute	Total Per Minute Rate	Special Equipment Portion of Base Rate
Intrastate Collect	\$0.0393	\$0.0075	\$0.1532	\$0.20	76.6%
Interstate Collect	\$0.0393	\$0.0075	\$0.1832	\$0.23	79.7%
Intrastate Debit	\$0.0343	\$0.0075	\$0.1382	\$0.18	76.8%
Interstate Debit	\$0.0343	\$0.0075	\$0.1682	\$0.21	80.0%

Collecting funds for special equipment was authorized by the legislature in the following language that is part of the MDOC budget bill:

“Any contract for prisoner telephone services entered into after the effective date of this act shall include a condition that fee schedules for prisoner telephone calls, including rates and any surcharges other than those necessary to meet special equipment costs, be the same as fee schedules for calls placed from outside of correctional facilities.”

We have been told by the MDOC that the fund will be used for a system that will detect contraband cell phones in the system. The department plans to take some time to determine what sort of system is needed. They expect the system to be installed in approximately 3 years using the \$21-\$30 million that will have accumulated in the Special Equipment Fund during the 3 years.

We are concerned about several aspects of this proposal.

1. It is not clear that Michigan has a serious problem with contraband cell phone usage. While there have been cases of contraband cell phones, no one in the state has ever been charged with committing a crime using a cell phone.
2. There are inexpensive methods of detecting cell phones in the system, using portable devices or battery-sniffing dogs. Obviously, the MDOC is not considering such an option. The more sophisticated systems are reported to be very expensive and not reliable. For example, we have been told by the Colorado Department of Corrections that they “are not currently using any cell phone detection systems, (because such systems) are very expensive and the technology continues to evolve.”
3. There is no commitment from the MDOC to cease collecting these funds if and when a cell phone detection system is installed.
4. The per-minute special equipment fund charges are expected to generate revenue of \$10 to \$14 million per year. PCS will receive 30% of those funds or \$3-\$4 million per year! There is nothing in the contract to justify giving PCS this portion of the revenue.
5. Nearly every company that bid on the contract offered some form of cell phone detection services at a lower cost than is incorporated into this contract. There is no way for us to know the precise configuration of each detection proposal, but, as we pointed out earlier, it is unclear how much protection the MDOC needs. The chart below summarizes per-minute rates in the original bids that would have included a cell phone detection component:

	EMBARQ	GTL *	PCS	Unisys	Securus
Collect					
Intrastate	\$0.10	\$035 - \$0.37	\$0.69	\$0.063	\$0.054
Interstate	\$0.12	\$035 - \$0.37	\$0.69	\$0.063	\$0.054
Debit					
Intrastate	\$0.09	\$035 - \$0.37	\$0.59	\$0.053	\$0.054
Interstate	\$0.11	\$035 - \$0.37	\$0.59	\$0.053	\$0.054

*Cell phone detection in one vs. two facilities.

Adding to our distrust of this process is the following statement in the Executive Summary of PCS’s Telephone Pricing Clarification: “Understanding that budgets are shrinking for all State agencies, as part of or Best and Final Offer, PCS is also willing to work with the MDOC to create a Special Equipment Fund to help bridge any potential budget shortfalls. The amount of his fund can be set at the discretion of the MDOC. “

We don’t know if this contract represents an expensive solution looking for a problem or a commission disguised as a “special fund,” or a way to help the state balance its budget. Whatever it is, we believe these rates are indefensible.

Please consider contacting your state representative, state senator, and the governor to ask that the MDOC pursue a less expensive solution to the “problem” of contraband cell phones. You may also want to write a letter to the editor. By eliminating the special fund, we can enjoy per-minute rates \$0.0418 - \$0.0468.

This analysis is based upon research conducted by MI-CURE and CAPPS.