

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: August 24, 2021

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution supporting a policy that video and telephone agreements for the Milwaukee County Office of the Sheriff and the House of Correction provide residents of Milwaukee County's correctional facilities with at least 75 minutes of free video calls per week and at least 75 minutes of free voice calls per week

FISCAL EFFECT:

- | | |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input checked="" type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|--|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$350,064 ¹	\$1,400,256
	Revenue	(\$355,408)	(\$1,421,632)
	Net Cost	\$705,472	\$2,821,888
Capital Improvement Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

¹ This fiscal note estimates the cost of approving this proposal under the terms of the current resident telephone contract. It is not in the purview of the Comptroller's Office to determine if the current contract can be legally amended to implement the proposed policy or if the administration is bound by the terms of this policy if approved. Furthermore, contract negotiations are currently occurring and if this policy were to apply to that contract, the costs estimated herein could be substantially different.

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
 - B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.² If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
 - C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
 - D. Describe any assumptions or interpretations that were utilized to provide the information on this form.
- A. If adopted, this resolution would support the policy option that video and telephone agreements for the Milwaukee County Office of the Sheriff and the House of Correction provide residents of Milwaukee County's correctional facilities with at least 75 minutes of free video calls per week and at least 75 minutes of free voice calls per week.
 - B. As stated previously, this fiscal note estimates the cost of approving this proposal under the terms of the current resident telephone contract. It is not in the purview of the Comptroller's Office to determine if the current contract can be legally amended to implement the proposed policy or if the administration is bound by the terms of this policy if approved. Furthermore, contract negotiations are currently occurring and if this policy were to apply to that contract, the costs estimated herein could be substantially different.

If the proposed policy were executed under the terms of the current agreement, the average number of commissionable telephone minutes drops from 199 minutes to 124 minutes. It is assumed that the vendor would not direct bill the County for the 75 free minutes but would reduce the County's revenue share on the remaining commissionable minutes. Therefore, for purposes of this estimate, it is assumed that the revenue share on the remaining calls is dropped from 70.1 percent to 50.0 percent. The resulting annual telephone revenue loss to the County is \$1.3 million.

² If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

Telephone	Current	Proposal	
Weekly Minutes Per Resident	199	199	
Free Minutes	0	75	
Weekly Commissionable Minutes	199	124	
Total Weekly Commission Per Resident	\$ 41.79	\$ 26.04	
Total Annual Commission Per Resident	\$ 2,173.08	\$ 1,354.08	
Avg ADP	1496	1496	
Total Annual Revenue	\$ 3,250,928	\$ 2,025,704	
Percent County Share	70.10%	50.00%	
County Revenue	\$ 2,278,900	\$ 1,012,852	\$ (1,266,048)

The average number of commissionable video minutes drops from 50 minutes to 0, plus the provision of an extra 25 additional free minutes. Under the current contract, the County estimates that the vendor earns approximately \$1.4 million annually and the County earns \$0.2 million. It is assumed that the County at a minimum would lose its annual video revenue of \$0.2 million and would have to make the vendor whole for its revenue loss, for an expense of \$1.4 million. Therefore, the annual cost of the free video calling would likely be \$1.6 million.

Video Calls	Current	Proposal	
Weekly Minutes Per Resident	50	50	
Free Minutes	0	75	
Weekly Commissionable Minutes	50	-25	
Total Weekly Commission Per Resident	\$ 20.00	\$ -	
Total Annual Commission Per Resident	\$ 1,040.00	\$ -	
Avg ADP	1496	1496	
Total Annual Revenue	\$ 1,555,840	\$ -	
Percent County Share	10.00%	0.00%	
County Revenue	\$ 155,584	\$ -	\$ (155,584)
Vendor Revenue	\$ 1,400,256		\$ (1,400,256)

It is possible that the cost to the County of the proposed policy could be less (or more) under a completely different contract structure (e.g. a free resident calling program funded wholly by County tax levy or some other variant of the proposed policy). An RFP or RFI would need to be issued to determine the exact cost of the proposed policy.

Since revenue is currently budgeted for these operations in 2021, funds from the Appropriation for Contingencies would be necessary to cover the loss of revenue in 2021. For 2022, given the timing of this resolution, it is likely that the County Board would need to identify \$2.8 million in funding either through new revenue or cuts to other services during the 2022 budget process to sufficiently fund this action.

- C. The 2021 Adopted Budget includes revenue from resident telephone and video services. It is likely that the 2022 Recommended Budget will also contain a similar budgeted revenue amount. Therefore, for 2021, funds from the Appropriation for Contingencies would be necessary to offset the operational deficits created in the Office of the Sheriff and House of Corrections. As stated above, for 2022, it is likely that the County Board would need to identify \$2.8 million in

funding either through new revenue or cuts to other services during the 2022 budget process to sufficiently fund this action.

D. This fiscal note assumes that:

- a. The cost of this proposal would be subject to the current contract terms. It is likely that a new contract would need to be negotiated which could contain more favorable terms for the County and decrease the costs estimated here.
- b. For purposes of telephone calling, it assumes that current behavior does not change due to the proposed policy. If residents increase their current minutes usage, the revenue loss may be less than anticipated here. Assuming the County's revenue share is reduced to 50.0 percent, every additional 50 minutes used on average by all residents reduces the revenue reduction by roughly \$400,000.
- c. For purposes of video calling, it assumes that the additional 25 minutes provided will not be used, or if used, will not be charged to the County. Depending on how these additional 25 minutes are handled could create an additional cost to the County.

Department/Prepared By CJ Pahl, Office of the Comptroller

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required