

Statement before the
New York City Council

Committee on Fire and Criminal Justice Services
Elizabeth Crowley, Chairperson

By Frank Doka, Deputy Commissioner
NYC Department of Correction

September 26, 2016

Good afternoon, Speaker Mark-Viverito, Chair Crowley and members of the Fire and Criminal Justice Services committee. I am Frank Doka, Deputy Commissioner of Financial, Facility, and Fleet Administration at the New York City Department of Correction. I am here today to speak about the proposed Intro. 1152, which would limit the fee that money transfer agents would be permitted to charge customers who use their services to transfer funds into an inmate's personal account who is in DOC custody.

Since 2007, the Department has had a license agreement, procured via a Request for Expression of Interest solicitation, with Western Union and JPay to provide money transfer services. The services provided by these vendors expanded the options available to the public for making deposits into an inmate account, to include: online, by phone, kiosk, or walk-in service at the vendor's establishment.

Prior to 2007, the only avenues available to deposit money into an inmate's account were to travel to any one of the borough jail locations or to the central cashier's office on Rikers Island located in the Visit Center, or to send a money order via US Mail. These options are still available and there is no service fee.

I would like to take a moment to briefly describe the process and how it operates. Each inmate in the Department's custody is provided a personal account to use for all their financial transactions. Family and friends may deposit money into an inmate's account and inmates may transfer funds out. The addition of the services provided by JPay and Western Union, enable family and friends to make deposits in a manner that is simple, convenient, and saves time regardless of where they may reside. These options eliminate the need to travel to a DOC facility solely for the purpose of making a deposit. Family and friends can select from any one of the following options:

- By Phone – deposits can be made by calling the participating money transfer agents toll-free numbers and using a credit or debit card to deposit the chosen amount. The City's 311 service maintains contact information for money transfer agents which is given to callers as needed.
- Via the Internet – money transfers can be made by going directly to a transfer agent's website. Additionally, DOC's website contains a link to the transfer agent's website. A credit or debit card would be used to complete the transaction.
- Walk-ins at the Money Transfer Agent offices – deposits can be made in person at any money transfer agent office by using a credit or debit card, or cash.
- By Kiosk – located at DOC cashier offices, allows for deposits to be made by credit or debit card or cash.
- At a DOC Facility – cash deposits can be made free of charge at the cashier window, regardless of whether the inmate is housed in that particular facility. Deposits can be made 24/7 at the Rikers Island central cashier, or until 8:00 p.m. at the borough facility cashiers.
- Mail In Deposits – deposits received by mail in the form of a money order are processed at the cashier office.

In Fiscal Year 2016, there were approximately 360,000 deposits made by the public, of which 29% were made via walk-ins at agent locations, 26% via the internet, 22% conducted over the phone, 15% made at DOC cashier offices, 7% through kiosks, and 1% by mail.

The average deposit amount received via phone, internet, and walk-in at an agent's location, was \$48 per transaction. The fee charged by the vendor for each deposit made is based on a set range established by the agents based on the deposit amount. In Fiscal Year 2016, the average transaction fee was approximately \$7.15. A flat fee of \$2.50 per transaction is charged for kiosk deposits. Deposits made at the cashier window in DOC facilities or by mail are free of charge.

In Fiscal Year 2016, it is estimated that the revenue collected by these vendors was approximately \$2 million. The Department conducted a review to compare internet and phone transaction fees charged by transfer agents for deposits made into an inmate's account in DOC custody to fees charged to inmates in other correctional institutions. The review results revealed that the rates DOC vendors charge are comparable and in some instances lower than fees charged at other correctional institutions.

If Intro. 1152 limits the fee these vendors can charge to 1%, or a maximum of \$5 per deposit, based on the average amount and number of deposits made in Fiscal Year 2016, the estimated annual revenue collected by the vendors would have been approximately \$147,000 – a revenue loss to the vendor of 93%. Since there is a \$300 cap per deposit transaction on most of these services, the \$5 maximum fee will most likely never be reached.

This legislation would not have a fiscal impact on the Department, as the Department does not collect any deposit fees. However, it may have a negative effect on money transfer agents who may determine that there is no financial benefit to providing this service. The most significant consequence of this bill would be to the inmate and the inmate's family and friends who would no longer be afforded the convenience of remotely transferring funds. Family members or friends who want to make a deposit would be required to travel to a DOC facility in person or send a money order by mail. This option would be especially difficult and costly for those individuals living out of the city or out of state. We believe that the Department's current deposit system is in line with Council's position in ensuring that family and friends have options and convenience in transferring funds to individuals in DOC custody. The current proposed legislation, as drafted, could undermine the positive changes established since 2007.

We welcome the opportunity to continue the dialogue with the goal of maintaining the current options and conveniences while addressing Council's core concerns.

Thank you for the opportunity to testify today. I am happy to answer any questions that you may have.