

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 24, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Telecommunications (Williams) *EW*
Office of General Counsel (Page) *PWP SML JNY*

RE: Docket No. 110013-TP – Request for submission of proposals for relay service, beginning in June 2012, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

AGENDA: 05/09/14 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: July 1, 2014 – Effective date of Florida Telecommunications Relay, Inc. budget. Notification of any change in the Telecommunications Access System Act surcharge must be made to carriers prior to July 1, 2014.

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assisted listening devices. Please place near the beginning of the agenda to reduce interpreter costs.

Case Background

The Florida Relay System provides deaf and hard of hearing persons access to basic telecommunications services by using a specialized Communications Assistant that relays information between the deaf or hard of hearing person and the other party to the call. The primary function of the Florida Relay System is accomplished by the deaf or hard of hearing

person using a Telecommunications Device for the Deaf where the person using the Telecommunications Device for the Deaf types a message to the Communications Assistant who in turn voices the message to the other party, or a Captioned Telephone which displays real-time captions of the conversation.

The Telecommunications Access System Act of 1991 established a statewide telecommunications relay system which became effective May 24, 1991. The Telecommunications Access System Act is authorized under Chapter 427, Florida Statutes. Section 427.701(1), Florida Statutes, provides that the Florida Public Service Commission shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing or speech impaired, or others who communicate with them. It is estimated that 3 million of the estimated 19 million persons living in Florida have been diagnosed as having hearing loss. This system provides telecommunications service for deaf or hard of hearing persons functionally equivalent to the service provided to hearing persons.

The Telecommunications Access System Act provides funding for the distribution of specialized telecommunications devices and provision of intrastate relay service through the imposition of a surcharge of up to \$0.25 per landline access line per month. Accounts with over 25 access lines are billed for only 25 lines. Pursuant to Section 427.704(4)(a)1, Florida Statutes, a surcharge is collected only from landline access lines.¹

Florida Telecommunications Relay, Inc., a non-profit corporation formed by the local exchange telephone companies, was selected by the Florida Public Service Commission to serve as the Telecommunications Access System Act Administrator. On July 1, 1991, the local exchange telecommunications companies began collecting an initial \$.05 per access line surcharge pursuant to Order No. 24581. Since that time, the surcharge has changed to reflect budgetary needs, but has been maintained at \$0.11 per month since June 2007.

The purpose of this recommendation is to address Florida Telecommunications Relay, Inc.'s 2014/2015 fiscal year budget. The Commission is vested with jurisdiction over these matters pursuant to Chapter 427, Florida Statutes.

¹ Florida Telecommunications Relay, Inc. projects a 3.2 percent decrease in landline access lines subject to the relay surcharge for the budget year 2014/2015.

Discussion of Issues

Issue 1: Should the Commission approve Florida Telecommunications Relay, Inc.'s proposed budget as outlined in Attachment A for fiscal year 2014/2015, effective July 1, 2014, and should the Commission maintain the current Telecommunications Relay Service surcharge of \$0.11 per month?

Recommendation: Yes. Staff recommends that the Commission approve Florida Telecommunications Relay, Inc.'s proposed budget operating revenue of \$8,528,177 and proposed budget expenses of \$8,263,702 for fiscal year 2014/2015, effective July 1, 2014. Staff also recommends that the Telecommunications Relay Service surcharge be maintained at \$0.11 per month per access line (up to 25 access lines) for fiscal year 2014/2015, effective July 1, 2014. The Commission should order all telecommunications companies to continue billing the \$0.11 surcharge for fiscal year 2014/2015, effective July 1, 2014. (Williams, Page)

Staff Analysis: Minutes of use for traditional Telecommunications Relay Service have been declining. AT&T's projections indicate that the traditional minutes will continue to decline during the 2014/2015 fiscal year. Specifically, AT&T projects that Telecommunications Relay Service minutes of use will decline from 69,679 in July 2014, to 57,505 in June 2015. Traditional relay users are transitioning to the more efficient technologies of Internet Protocol Relay,² Video Relay Service,³ Captioned Telephone Service,⁴ Internet Protocol Captioned Telephone Service,⁵ Internet Protocol Speech to Speech service,⁶ and Blackberry or Palm wireless devices. The traditional Telecommunications Relay Service cost as approved in AT&T's contract remains at \$0.76 per session minute.

² IP Relay allows people who have difficulty hearing or speaking to communicate through an Internet connection using a computer and the Internet, rather than a TTY and a telephone.

³ Video Relay Service is a form of Telecommunications Relay Service that enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate with each other in signed conversation. Because the conversation between the VRS user and the operator flows much more quickly than with a text-based TRS call, VRS has become a popular form of TRS.

⁴ A telephone that displays real-time captions of a conversation. The captions are typically displayed on a screen embedded into the telephone base.

⁵ IP captioned telephone service allows the user to simultaneously listen to, and read the text of, what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP address and routed link.

⁶ Speech to Speech relay service utilizes a specially trained CA who understands the speech patterns of persons with speech disabilities and can repeat the words spoken by such an individual to the other party to the call. IP STS uses the Internet, rather than the public switched telephone network, to connect the consumer to the relay provider. Instead of using a standard telephone to make the relay call, an IP STS user can use a personal computer or personal digital assistant (PDA) device and, with the installation of softphone application software, can make a voice call via the Internet to the relay provider. The call is initiated by the user clicking on an icon on his or her computer or PDA; the relay user is then connected to a CA over the Internet and tells the CA the number to be dialed; the CA then connects the IP STS user with the called party and relays the call between the two parties.

CapTel Service

CapTel service uses a specialized telephone that provides captioning of the incoming call for a deaf or hard of hearing person. AT&T's projections show that CapTel minutes of use will also decrease during the 2014/2015 fiscal year. Specifically, AT&T projects that CapTel minutes of use will decline from 166,484 in July 2014, to 160,305 in June 2015. The CapTel cost as approved in the AT&T contract remains at \$1.47 per session minute.

Review of Florida Telecommunications Relay Incorporated

The Florida Public Service Commission's Office of Auditing and Performance Analysis released its Review of Florida Telecommunications Relay, Inc. in September 2013. The audit examined Florida Telecommunications Relay, Inc.'s current programs, administrative processes, internal controls, and compliance with federal and state laws. A total of seven audit findings were made, and each finding was discussed in detail. Staff reviewed the report to gain a greater understanding of Florida Telecommunications Relay Inc., particularly its budgeting process and operations that may affect its budget. Staff also met with Florida Telecommunications Relay, Inc. staff on November 21, 2013, to discuss each finding.

There were three audit findings presented that staff continues to monitor to assess their impact on Florida Telecommunications Relay, Inc.'s budget. The three findings address:

- 1) Improved effectiveness of outreach and equipment distribution events conducted by Regional Distribution Centers and of marketing and outreach efforts in general;
- 2) Improved efforts to reduce expenditures in the areas of personnel, equipment, and outreach; and
- 3) The rotation of audit firms and partners as outlined in the Sarbanes-Oxley Act.

On March 28, 2014, Telecommunications staff forwarded a Data Request to Florida Telecommunications Relay Inc. addressing various issues in its fiscal year 2014/2015 proposed budget. In the Data Request, staff requested an update on implementation of the above findings and related recommendations.

Florida Telecommunications Relay Inc. provided responses stating that it will continue efforts to market and promote its programs in the most cost effective manner, and that it intends to collaborate with other vendors to combine efforts to make a broader impact. In the area of Employee Compensation, Florida Telecommunications Relay Inc. stated that staff has been reduced from 15 to 12 employees. Lastly, in response to the rotation of audit firms recommendation, Florida Telecommunications Relay, Inc. stated that it plans to solicit bids after the 2013/2014 annual audit is completed.

Telecommunications staff will continue to monitor implementation of the recommendations to assess their impact on Florida Telecommunications Relay, Inc.'s budget.

Florida Telecommunications Relay Inc. Budget

Attachment A reflects Florida Telecommunications Relay Inc.'s 2014/2015 fiscal year budget, which was reviewed and adopted by the Florida Telecommunications Relay Inc. Board of Directors on March 10, 2014, prior to filing with the Florida Public Service Commission. Staff sent a data request to Florida Telecommunications Relay, Inc. on a number of issues included in its proposed budget. Florida Telecommunications Relay, Inc. responses were filed April 15, 2014, and are included in the docket file.

The recommended budget includes a decrease in expenses of approximately \$1,873,593 from the 2013-2014 Commission approved budget.⁷ The 2014/2015 budget projects total operating revenues to be \$8,528,177 and total expenses to be \$8,236,702. Florida Telecommunications Relay, Inc. believes the Telecommunications Relay surcharge can remain at \$0.11 per access line for the 2014/2015 fiscal year.

AT&T's estimated fiscal year 2014/2015 traditional Telecommunications Relay surcharge minutes of use are 758,792 at a rate of \$0.76 per minute for a total of \$576,682. AT&T's estimated CapTel minutes of use for fiscal year 2014/2015 are 1,964,401 at a rate of \$1.47 per minute for a total of \$2,887,669.

After analysis of the proposed budget, staff believes Florida Telecommunications Relay, Inc. should have sufficient funds for its 2014/2015 fiscal year budget and reserve account. Therefore, staff believes the surcharge should be maintained at \$0.11 per month to cover the 2014/2015 budget. A comparison of Florida Telecommunications Relay, Inc.'s 2013/2014 Commission Approved Budget, Florida Telecommunications Relay Inc.'s 2014/2015 proposed budget, and staff's recommended 2014/2015 Florida Telecommunications Relay, Inc. budget is shown below.

⁷ These figures do not include the National Deaf-Blind Equipment Distribution Program (NDBEDP) expenses since they are totally reimbursed by grants.

	Commission Approved	FTRI Proposed	Staff Recommended
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2014-2015</u>
Operating Revenue:			
Surcharges	\$ 8,270,823	\$ 8,013,558	\$ 8,013,558
Interest Income	41,753	55,787	55,787
NDBEDP ⁸	<u>458,832</u>	<u>458,832</u>	<u>458,832</u>
Total Operating Revenue	\$ 8,771,408	\$ 8,528,177	\$ 8,528,177
Operating Expenses:			
Relay Provider Services	\$ 3,846,539	\$ 3,464,351	\$ 3,464,351
Equipment and Repairs	2,543,446	1,537,932	1,537,932
Equipment Distribution And Training	1,197,390	1,018,089	1,018,089
Outreach	684,503	607,200	607,200
General & Administrative	1,379,585	1,150,298	1,150,298
NDBEDP	<u>458,832</u>	<u>458,832</u>	<u>458,832</u>
Total Expenses	\$ 10,110,295	\$ 8,236,702	\$ 8,236,702
Annual Surplus	(1,338,887)	291,475	291,475
Total Surplus	\$ 11,170,856	\$ 16,077,354	\$ 16,077,354

In regards to the \$0.11 surcharge, it is important to point out that Chapter 427, Florida Statutes, requires that the relay system be compliant with regulations adopted by the Federal Communications Commission to implement Title IV of the Americans with Disabilities Act. The Federal Communications Commission mandates the minimum requirements for services a state must provide, certifies each state program, and periodically proposes changes in the stipulated services. One such proposed change is the possibility of the states funding the intrastate portion of the cost to provide Video Relay Service, Internet Protocol Relay Service, and Internet Protocol Captioned Telephone Service. Traditional relay users are transitioning to these Internet Protocol technologies which are more efficient, and presently being paid through the interstate TRS fund. However, the Federal Communications Commission has stated that this arrangement is only temporary. The Federal Communications Commission believes Title IV and its legislative history make plain that Congress intended that the states be responsible for the cost recovery for intrastate relay services provided under their jurisdiction.⁹

If the Federal Communications Commission were to mandate state funding of Video Relay Service, Internet Protocol Relay Service, and Internet Protocol Captioned Telephone Service, it is estimated that approximately \$32 million would be needed to adequately fund the state program. The Commission, by Order PSC-06-0469-PAA-TP, issued June 1, 2006, in Docket No. 040763-TP, maintained the Florida Telecommunications Relay Service surcharge at \$0.15/month for one year in lieu of a surcharge reduction, to prepare the state

⁸ National Deaf Blind Equipment Distribution Program.

⁹ Federal Communications Commission Report and Order, Order on Reconsideration, and Further Notice of Proposed Rule Making in CG Docket No. 03-123, released on June 30, 2004, FCC 04-137.

Telecommunications Relay Service Fund for assuming intrastate costs of Video Relay Service and Internet Protocol Relay, and to allow time to determine how the costs should be recovered.

As presented in its budget, Florida Telecommunications Relay, Inc.'s projected reserve account at the end of the 2014-2015 fiscal year would be \$16,077,354. The Federal Communications Commission has acknowledged that should it decide to mandate state funding, such transition would come with a reasonable phase in period of up to several years to provide states with sufficient notice.

Staff also researched the possibility of a reduction to the relay surcharge this year, but determined it would not be a viable option at this time. The surplus projected in the annual 2014-2015 Florida Telecommunications Relay, Inc. budget would only be approximately forty percent of what is needed to reduce the surcharge by one cent. In addition, staff believes the total relay surplus fund should be maintained in preparation for the assumption of states assuming the costs of intrastate Internet Protocol relay services.

Conclusion

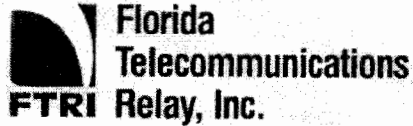
Staff has reviewed Florida Telecommunications Relay, Inc.'s 2014/2015 fiscal year budget request and believes it is reasonable. The current Telecommunications Relay Service surcharge of \$0.11 should meet Florida Telecommunications Relay, Inc.'s budget needs for the 2014/2015 fiscal year. Therefore, staff recommends that the Commission approve Florida Telecommunications Relay, Inc.'s proposed budget operating revenue of \$8,528,177 and budget expenses of \$8,236,702 for the fiscal year 2014/2015, effective July 1, 2014. Staff also recommends that the Telecommunications Relay Service surcharge be maintained at \$0.11 per month per access line up to 25 access lines for the fiscal year 2014/2015, effective July 1, 2014. The Commission should order all telecommunications companies to continue to bill the \$0.11 surcharge for the fiscal year 2014/2015, effective July 1, 2014.

Docket No. 110013-TP
Date: April 24, 2014

Issue 2: Should this docket be closed?

Recommendation: No. A Consummating Order should be issued unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. The docket should remain open to address all matters related to relay service throughout the life of the contract. (Page)

Staff Analysis: A Consummating Order should be issued unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. The docket should remain open to address all matters related to relay service throughout the life of the contract.



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March 10, 2014

OFFICE OF
TELECOMMUNICATIONS

Mr. Curtis Williams, Regulatory Analyst IV
Office of Telecommunications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

RE: FTRI FY 2014/2015 Budget

Dear Mr. Williams:

I am pleased to forward a copy of the FY 2014/2015 budget that was recently approved by the Florida Telecommunications Relay, Inc. (FTRI) Board of Directors. This budget was reviewed by our Budget Committee and the Board and was adopted by the Board on March 10, 2014.

The budget, without the inclusion of the proposed NDBEDP, as approved by the Board projects total revenues at the current surcharge level of \$.11 to be \$8,069,377 and total expenses to be \$7,760,545. Attached is the Income Statement that reflects the FY 2014/2015 budget as approved by the Board of Directors.

As of January 2014, FTRI has over 495,043 individuals in the client database. FTRI and its regional partners continue to reach out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech challenge. Outreach continues to be a large part of our efforts to attract new clients and educate the general population about the Florida Relay System and the benefits this brings to our citizens.

Although we believe that outreach is an important element of the relay program, we are very aware that the number of new clients served continues to decrease and that trend is likely to continue. A major reason for this, we believe, is the decreasing use of landline and migration of users to other technologies such as wireless, VoIP, etc. The decrease in landlines users not only affects the equipment distribution program but more importantly reduces revenues because there are fewer landlines from which the surcharge is collected.

Should you have questions or desire additional information, please do not hesitate to email me at jforstall@ftri.org.

Sincerely

A handwritten signature in black ink, appearing to read "James Forstall", is written over the typed name and title.

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

Florida Telecommunications Relay, Inc.

**Income Statement
FY 2014/2015
11 cents Surcharge**

Income			
Revenue			
	Surcharge	8,013,558	
	Interest	55,787	
	NDBEDP	458,832	
			<u>8,528,177</u>
Expense			
Category I			
	DP Relay	3,464,351	
Category II			
	Equipment	1,537,932	
Category III			
	RDC	1,018,089	
Category IV			
	Outreach	607,200	
Category V			
	General	1,150,298	
Category VI			
	NDBEDP	458,832	
			<u>8,236,702</u>
		Net Projected 2014/2015 Income	291,475

Florida Telecommunications Relay, Inc.
Fiscal Year 2014/2015 Budget @ .11 cents surcharge

	2013/2014 APPROVED BUDGET	2013/2014 ESTIMATED REV & EXPEND	2014/2015 PROPOSED BUDGET	VARIANCE 2013/2014 2014/2015
OPERATING REVENUE				
1 Surcharges	8,270,823	8,278,469	8,013,558	(257,265)
2 Interest Income	41,753	54,929	55,787	14,034
3 NDBEDP	458,832	286,578	458,832	0
TOTAL OPERATING REV	8,771,408	8,619,976	8,528,177	(243,231)
OTHER REVENUE/FUNDS				
4 Surplus Account	11,444,256	15,478,815	15,785,879	4,341,623
TOTAL REVENUE	20,215,664	24,098,591	24,314,056	4,098,392
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5 DPR Provider	3,846,539	3,694,949	3,464,351	(382,188)
SUBTOTAL-CATEGORY I	3,846,539	3,694,949	3,464,351	(382,188)
CATEGORY II - EQUIPMENT & REPAIRS				
6 TDD Equipment	0	0	0	0
7 Large Print TDD's	5,000	0	0	(5,000)
8 VCO/HCO - TDD	6,000	0	0	(6,000)
9 VCO Telephone	3,720	0	0	(3,720)
10 Dual Sensory Equipment	20,000	0	10,000	(10,000)
11 CapTel Phone Equipment	55,600	32,850	38,700	(16,300)
12 VCP Hearing Impaired	2,275,466	1,257,827	1,240,342	(1,035,144)
13 VCP Speech Impaired	31,840	2,220	1,801	(30,039)
14 TellTalk Speech Aid	33,000	18,000	9,000	(24,000)
15 Jupiter Speaker phone	30,000	0	7,546	(22,454)
16 In-Line Amplifier	1,000	300	600	(400)
17 ARS Signaling Equip	26,400	9,621	9,752	(16,648)
18 VRS Signaling Equip	20,000	16,080	16,080	(3,920)
19 Accessories & Supplies	10,000	1,764	2,000	(8,000)
20 Telecomm Equip Repair	26,000	200,839	202,111	176,111
SUBTOTAL-CATEGORY II	2,543,446	1,539,501	1,537,932	(1,005,514)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21 Freight-Telecomm Equip	55,000	84,742	84,742	29,742
22 Regional Distr Centers	1,122,390	908,059	932,347	(190,043)
23 Workshop Expense	0	0	0	0
24 Training Expense	20,000	1,000	1,000	(19,000)
SUBTOTAL-CATEGORY III	1,197,390	991,801	1,018,089	(179,301)

Florida Telecommunications Relay, Inc.
 Fiscal Year 2014/2015 Budget @ .11 cents surcharge

	2013/2014 APPROVED BUDGET	2013/2014 ESTIMATED REV & EXPEND	2014/2015 PROPOSED BUDGET	VARIANCE 2013/2014 2014/2015
CATEGORY IV - OUTREACH				
25 Outreach Expense	684,503	648,329	607,200	(77,303)
SUBTOTAL-CATEGORY IV	684,503	648,329	607,200	(77,303)
CATEGORY V - GENERAL & ADMINISTRATIVE				
28 Advertising	5,800	4,828	4,905	(895)
27 Accounting/Auditing	23,646	25,432	28,336	4,690
28 Legal	72,000	72,000	72,000	0
29 Computer Consultation	19,040	19,022	18,690	(350)
30 Dues & Subscriptions	4,285	3,009	3,060	(1,225)
31 Office Furniture Purchase	5,000	340	500	(4,500)
32 Office Equipment Purchase	7,700	7,842	18,500	10,800
33 Office Equipment Lease	2,074	2,016	1,935	(139)
34 Insurance-Hlth/Life/Disbity	358,764	254,319	209,578	(147,186)
35 Insurance-Other	6,893	9,211	9,292	2,399
36 Office Expense	17,449	16,429	17,014	(435)
37 Postage	11,660	12,317	12,527	867
38 Printing	2,078	1,829	1,860	(218)
39 Rent	90,148	90,948	91,184	1,036
40 Utilities	8,084	6,959	7,077	(1,007)
41 Retirement	77,547	86,965	66,925	(10,622)
42 Employee Compensation	552,326	467,520	498,750	(53,576)
43 Temporary Employment	17,200	15,600	8,000	(9,200)
44 Taxes - Payroll	42,254	35,813	38,155	(4,099)
45 Taxes - Unemplmt Comp	2,810	1,262	901	(1,909)
46 Taxes - Licenses	65	65	65	0
47 Telephone	21,322	18,174	19,138	(2,184)
48 Travel & Business	19,234	10,234	10,408	(8,826)
49 Equipment Maint	1,741	1,326	1,349	(392)
50 Employee Training/Dev	5,665	5,200	7,000	1,335
51 Meeting Expense	7,000	3,096	3,149	(3,851)
52 Miscellaneous Expense	0	0	0	0
SUBTOTAL-CATEGORY V	1,379,585	1,151,554	1,150,298	(229,287)
CATEGORY VI - NOBEDP				
53 NOBEDP - Expense	458,832	286,578	458,832	0
SUBTOTAL-CATEGORY VI	458,832	286,578	458,832	0
TOTAL EXPENSES	10,110,295	8,312,712	8,236,702	(1,873,593)
REVENUE LESS EXPENSES	10,105,369	15,785,879	16,077,354	5,971,985