

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for submission of proposals for relay service, beginning in June 2000, for the hearing and speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

DOCKET NO. 991222-TP  
ORDER NO. PSC-01-1247-PAA-TP  
ISSUED: June 4, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman  
J. TERRY DEASON  
LILA A. JABER  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI

PROPOSED AGENCY ACTION  
ORDER APPROVING BUDGET WITH MODIFICATIONS AND ADJUSTING RELAY  
SURCHARGE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

The Telecommunications Access System Act of 1991 (TASA), sections 427.701-427.708, Florida Statutes, provides funding for the distribution of specialized telecommunications devices and the provision of intrastate telecommunications relay service through the imposition of a surcharge of up to \$.25 per access line per month. Accounts with over 25 lines are billed for only 25 lines. Under TASA, the Commission has the responsibility to review the amount of the surcharge at least annually and adjust the amount as

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TELECOMMUNICATIONS REGULATORY DIVISION

necessary to assure available funds to achieve TASA's goals. TASA provides that the Commission may raise, lower or suspend the surcharge, taking into account amounts needed to support TASA's services and any excess funds available.<sup>1</sup> See Section 427.704(4), Florida Statutes. The Commission usually undertakes its review of the surcharge level when it considers the proposed annual budget of the administrator of Florida's telecommunications access system, Florida Telecommunications Relay, Inc. (FTRI)

FTRI, a non-profit corporation formed by the local exchange telephone companies and approved by the Commission, serves as the TASA administrator. FTRI maintains and administers Florida's system for the distribution of and training on specialized telecommunications devices. FTRI also collects the surcharge from Florida's local exchange companies, from which it pays for the distribution system and Florida's telecommunications relay system, which is currently operated by Sprint. FTRI is also authorized to administer advertising and outreach services related to Florida relay, as required by the Commission. See Section 427.705, Florida Statutes. Currently, FTRI has over 218,000 Floridians in its client data base.

At our May 15, 2001, Agenda Conference we considered FTRI's proposal for its 2001-2002 budget and its proposal to raise the surcharge to \$.12 per access line. We approve the proposal to

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<sup>1</sup> The Commission has both raised and lowered the surcharge several times over the past decade. On July 1, 1991, the Commission set the initial surcharge for relay at \$.05 per access line in Order No. 24581. The next year the surcharge was increased to \$.10. The surcharge remained at \$.10 per access line through November 30, 1994. Effective December 1, 1994, the Commission increased the surcharge to \$.12 per access line. As a result of expense reductions proposed by FTRI and a cash balance in its surplus fund account, the surcharge was reduced from \$.12 to \$.10 for the fiscal year 1995-1996. When the surplus was reduced, the Commission raised the surcharge back to \$.12 on July 1, 1996. Again as a result of an increase in FTRI's surplus account the Commission reduced the surcharge to \$.11 for the 1998-99 fiscal year. The Commission reduced the surcharge to \$.09 for the 1999-2000 fiscal year, and to \$.08 for the 2000-2001 fiscal year.

increase the surcharge, and we approve FTRI's budget for 2001-2002, with the modifications explained below, effective July 1, 2001.

FTRI's 2001-2002 Budget

We approved a total budget of \$14,784,298 for FTRI for this past fiscal year. FTRI expects that its total budget requirement will actually be \$17,038,007 by June 30, 2001. FTRI will cover the variance from the surplus fund account, and it projects a balance of \$3,797,342 in the account by the end of the year.

The increase in FTRI's expenses carries over into the upcoming fiscal year and is a result of several factors, including the implementation of TurboCode<sup>2</sup>, significant increases related to the up-keep of certain equipment, and additional expenses for Regional Distribution Centers (RDCs) and outreach. See Operating Expense Categories I, II, and III in Attachment A, attached to and incorporated by reference in this Order.

In its proposed budget, FTRI projects that by June 30, 2001, its expenses for volume control telephones (VCPH) for hearing impaired persons will have exceeded the approved budgeted amount by \$923,171, because FTRI has experienced a higher level of demand for the VCPH than expected. Further, FTRI expects that approximately 15,000 VCPH units will have been modified to the XL-40<sup>2</sup> by end of June. This spending increase is approximately 50% over the approved spending level.

As FTRI has increased its outreach activities, the Regional Distribution Centers (RDCs) that are responsible for distributing

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<sup>2</sup> Turbo Code is a feature that allows for enhanced transmission and the capability to interrupt during transmission. At our November 7, 2000, Agenda Conference, we approved an amendment to our relay service contract with Sprint to include TurboCode at an additional rate of \$.01 per session minute. TurboCode will potentially decrease total session minutes, but there is no empirical data as yet to ascertain the level of impact.

<sup>2</sup> XL-40 is the modified model of the Ameriphone VCPH that replaces the current Clarity VCPH units.

FTRI equipment have experienced increased levels of activity. This is most evident in the RDCs' general and training expenses. In the 2001/2002 proposed budget, FTRI is proposing to add two new RDCs. One RDC will be located in the Pensacola area; clients in this area are currently being served out of the Tallahassee RDC. The other RDC will be located in Jacksonville to handle increasing demands in the Jacksonville area.

FTRI projects a 3% growth in access lines and approximately a 10% growth in its level of activities for the next fiscal year. FTRI proposes to significantly increase outreach activities, including outreach and advertising for 711,<sup>3</sup> and it projects that it will need one additional full-time employee, an "Outreach Assistant", bringing its total paid positions to 13.

Upon review, we find it appropriate to make several modifications to FTRI's proposed budget. First, we have adjusted line item #4 of Attachment A to eliminate a 5.75% tax rate for approximately \$501,632, and to include an amount of \$500,000 to pay for the addition of Caller ID to our contract for relay service with Sprint. Second, we have adjusted line item #10 to correct a mathematical error in the proposed budget.

Third, we have modified line item #21 to increase 2001/2002 expenditures by only 10%, a growth factor FTRI has used to project growth in its other activities for the upcoming fiscal year. We do not believe that FTRI has justified a 50% increase for outreach expenses. While we support FTRI's effort to expand and improve its outreach activities, Attachment I shows that FTRI is projected to underspend its outreach budget for this fiscal year. We therefore question whether we should approve a budget that is approximately 50% larger for next year without some demonstration that the current program is effective and some means to measure the effectiveness of the proposed program. We note that FTRI will have the flexibility to move funds between accounts up to 10% without prior Commission approval.

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<sup>3</sup> In the last quarter of 2000, the Federal Communications Commission (FCC) ordered the use of the 711 abbreviated dialing code for relay services nationwide. 711 will be effective in Florida on August 1, 2001.

Finally, we have modified line item Nos. 28, 33, and 34. These modifications are related, and reflect an adjustment to account for the proposed full-time employee.

With these modifications, we approve a 2001/2002 fiscal year budget for FTRI in the amount of \$16,793,085. The budget shall be grouped into five categories. FTRI may move amounts between these five categories not to exceed 10% of the category from which the funds are being moved; greater movement would require prior Commission authorization.

#### The Surcharge

To support its budget FTRI has requested a \$.12 surcharge for the next fiscal year. While this is a \$.04 increase, the current \$.08 surcharge was set specifically to reduce FTRI's surplus fund account. FTRI expects that by June 30, 2001, the surplus fund account will have been reduced to \$3,797,342 from \$10,238,799. The higher surcharge level is needed to fund FTRI's proposed budget while preventing the surplus fund account from dropping too low. The \$.12 surcharge will fund FTRI's planned programs and provide a surplus fund account balance of \$1,443,709 by June 30, 2002, approximately a month's operating expense.

For these reasons, we approve a surcharge level of \$.12 per access line. We direct all local exchange telephone companies to assess a \$.12 surcharge per access line beginning July 1, 2001.

It is therefore,

ORDERED by the Florida Public Service Commission that the attached budget for fiscal year 2001-2002 is approved as modified in the body of this order. It is further

ORDERED that the local exchange telephone companies shall assess a \$.12 surcharge beginning July 1, 2001. It is further

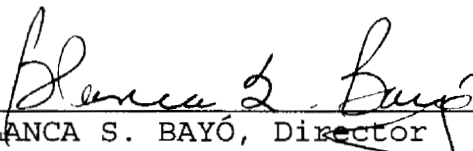
ORDERED that the budget shall be grouped into five categories. FTRI may move amounts between these five categories not to exceed 10% of the category from which the funds are being moved; greater movement would require prior Commission authorization. It is further

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ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that Docket No. 991222-TP shall remain open for the duration of the current contract with Sprint.

By ORDER of the Florida Public Service Commission, this 4th day of June, 2001.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

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Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 25, 2001.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

## ATTACHMENT A

	PSC Approved Budget 2000/2001	FTRI Best View Actual 2000/2001 (as of 3/31/01)	FTRI Proposed Budget 2001/2002	PSC Approved Budget 2001/2002
<b>OPERATING REVENUE</b>				
1) Surcharges	\$10,082,682	\$10,014,403	\$15,472,252	\$15,472,252
2) Interest Income	285,144	407,147	144,728	144,728
3) Service/Other	0	175,000	0	0
<b>TOTAL OPERATING REVENUE</b>	<b>\$10,367,826</b>	<b>\$10,596,550</b>	<b>\$15,616,980</b>	<b>\$15,616,980</b>
<b>OPERATING EXPENSES</b>				
<b>Category I - Relay Services</b>				
4) DPR Provider	\$8,971,537	\$10,238,799	\$9,225,667	\$9,224,035
<b>SUBTOTAL-Category 1</b>	<b>\$8,971,537</b>	<b>\$10,238,799</b>	<b>\$9,225,667</b>	<b>\$9,224,035</b>
<b>Category II - Equipment/Repair</b>				
5) TDD EQ.	\$403,008	\$393,400	\$423,256	\$423,256
6) Large Print TDDs	12,735	11,139	19,332	19,332
7) VCH/HCO-TDD	42,790	41,690	48,871	48,871
8) VCO Telephone	117,147	11,485	38,590	38,590
9) Dual Sensory Equipment	21,740	10,350	35,360	35,360
10) VCP Hearing Impaired	1,853,714	2,776,885	3,062,486	3,048,817
11) VCP Speech Impaired	9,261	10,885	11,760	11,760
12) In-Line Amplifier	4,761	3,808	4,179	4,179
13) ARS Signaling Equip.	393,888	273,942	303,117	303,117
14) VRS Signaling Equip.	74,202	58,307	66,603	66,603
15) TRS Signaling Equip.	2,925	1,440	2,685	2,685
16) Telecomm Equip. Repair	33,820	41,150	54,984	54,984
<b>SUBTOTAL-Category II</b>	<b>\$2,969,991</b>	<b>\$3,634,481</b>	<b>\$4,071,223</b>	<b>\$4,057,554</b>
<b>Category III-Equipment</b>				
17) Freight-Telecomm Equip.	\$45,635	\$30,562	\$37,061	\$37,061
18) Regional Distr. Centers	927,092	1,173,276	1,375,248	1,375,248
19) Workshop Expenses	33,632	79	39,940	39,940
20) Training Expenses	85,793	106,931	117,624	117,624
<b>SUBTOTAL-Category III</b>	<b>\$1,092,152</b>	<b>\$1,310,848</b>	<b>\$1,569,873</b>	<b>\$1,569,873</b>
<b>Category IV-Outreach</b>				
21) Outreach Expense	\$819,100	\$765,085	\$1,414,800	\$901,010
<b>SUBTOTAL- Category IV</b>	<b>\$819,100</b>	<b>\$765,085</b>	<b>\$1,414,800</b>	<b>\$901,010</b>



	PSC Approved Budget 2000/2001	FTRI Best View Actual 2000/2001 (as of 3/31/01)	FTRI Proposed Budget 2001/2002	PSC Approved Budget 2001/2002
Category V - General & Administrative				
22) Advertising	\$1,000	\$2,313	\$2,700	\$2,700
23) Accounting/Audit	12,800	14,775	14,900	14,900
24) Legal	70,400	81,234	82,859	82,859
25) Computer Consultation	9,450	8,784	8,550	8,550
26) Bank Charges	0	1,150	1,560	1,560
27) Dues & Subscriptions	1,800	1,752	2,442	2,442
28) Office Furniture Purchase	2,500	4,926	8,767	7,306
28A) Less: Capitalized Portion	0	0	0	0
29) Office Equipment Purchase	60,300	13,441	39,987	39,987
29A) Less: Capitalized Portion	0	0	0	0
30) Depreciation	0	0	0	0
31) Office Equipment Lease	3,940	3,727	4,238	4,238
32) Insurance-Hlth/Life/Dsblty	124,464	99,753	155,853	155,853
33) Insurance-Other	3,614	3,372	5,223	4,628
34) Office Expense	7,855	7,492	9,412	9,132
35) Postage	14,011	17,827	20,608	20,608
36) Printing	23,986	30,856	5,128	5,128
37) Rent	65,736	65,070	84,353	84,353
38) Retirement	43,660	38,927	48,324	48,324
39) Employee Compensation	386,370	344,486	427,648	427,648
40) Temporary Employment	9,810	7,448	7,820	7,820
41) Taxes-Payroll	29,557	26,353	32,715	32,715
42) Taxes-Unempl Comp	1,000	799	914	914
43) Taxes-Licenses	62	62	62	62
44) Telephone	26,008	34,549	38,949	38,949
45) Travel & Business	20,395	19,354	24,500	24,500
46) Equip. Maint.	5,170	3,892	6,767	6,767
47) Employee Training/Dev.	1,000	1,653	5,040	5,040
48) Meeting Expense	6,430	2,834	3,430	3,430
49) Misc. Expense	200	0	200	200
SUBTOTAL-Category V	\$931,518	\$836,829	\$1,042,949	\$1,041,173
TOTAL EXPENSES	\$14,784,298	\$17,038,007	\$17,324,512	\$16,793,085
REVENUE LESS EXPENSES	\$(4,416,472)	\$(6,441,457)	\$(1,707,532)	\$(1,176,105)