

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

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

DATE: May 5, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Moses, Casey)
Office of the General Counsel (Rojas) *gr* *PK* *PK* *MS*

RE: Docket No. 040763-TP – Request for submission of proposals for relay service, beginning in June 2005, for the hearing and speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

AGENDA: 05/17/05 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assistive listening devices. Place near the beginning of the agenda or at a time certain to reduce interpreter costs.

FILE NAME AND LOCATION: S:\PSC\CMP\WP\040763.RCM.DOC

Case Background

The Telecommunications Access System Act of 1991 (TASA) became effective May 24, 1991 and is found in Part II, Chapter 427, Florida Statutes. TASA provides funding for the distribution of specialized telecommunications devices and provision of intrastate 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.

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies, was named by the Commission to serve as the TASA administrator. On July 1, 1991, the Local Exchange Companies (LECs) began collecting an initial \$.05 per access line surcharge pursuant to Order No. 24581. Since that time, the surcharge has changed and is currently \$.15.

DOCUMENT NUMBER-DATE

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In June 2000, the Commission executed a contract with Sprint to provide the relay service that TASA requires. Based upon previous Commission decisions, the current contract expires June 1, 2005.

In January, 2005, the Commission executed a contract with Sprint to provide the relay service starting June 1, 2005.

The Commission is vested with jurisdiction over this matter pursuant to Chapter 427, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve FTRI's proposed budget (Attachment A) for the fiscal year 2005-2006 effective July 1, 2005, and retain the TASA surcharge at the current amount of \$.15?

Recommendation: Yes. (Moses, Casey)

Staff Analysis: FTRI's budget request projects that total revenues at the current \$.15 surcharge is sufficient to fund FTRI's planned programs for the upcoming fiscal year. The budget projects total revenues of \$17,114,765 and total expenses of \$18,399,840. The difference will be drawn from a surplus account which is projected to be \$3,458,395 at the end of fiscal year 2004-2005.

Staff has reviewed FTRI's budget request and believes it is reasonable. FTRI has decreased its budget request for many of the items. Two of the five budget categories are projected to be less than the Commission - approved amounts in the budget last year. The largest increase in the projected expenses is the cost of the relay system minutes of use. Under the new contract effective June 1, 2005, the cost will increase from \$.73 to \$.75 per minute. This projected expense is \$1,223,935 higher than last year. The minutes of use for regular relay calls is projected to be 8,879,743 which will be 5% less than last year's 9,347,104 minutes of use. A reduction in the cost of Captel service under the new contract offsets some of the increase in cost for the regular relay service minutes of use.

Accordingly, staff recommends that the Commission approve a 2005-2006 fiscal year FTRI budget of \$18,399,840 as requested in Attachment A, effective July 1, 2005, and that the TASA surcharge remain at \$.15.

Issue 2: Should the Commission continue to include in its Order regarding FTRI's budget, the requirement that FTRI may not move amounts between the five categories of costs in excess of 10% of the category from which the funds are being moved, without prior Commission authorization?

Recommendation: Yes. The Commission should maintain the requirement that FTRI may not move amounts between the five categories of costs in excess of 10% of the category from which the funds are being moved, without prior Commission authorization. (Moses, Casey)

Staff Analysis: FTRI, in its cover letter submitting its proposed 2005/2006 budget, proposes to eliminate the verbiage regarding Commission authorization prior to moving amounts between categories greater than 10% which has been included in each of the Commission Orders approving FTRI's annual budgets. FTRI states that:

While such language may have served a purpose at the time it was initially propounded in 1991, the need for and potential benefit of such language has diminished over the years. The limitation as currently written only applies to movement of amounts between budget categories and serves only to limit the flexibility of FTRI in performing its duties as the Administrator of TASA. So long as the surcharge is not affected, there should be no limitation on movement of amounts from one category to another.

The language instituting the requirement regarding movement of funds between categories was included in a staff recommendation addressing FTRI's 1993-1994 proposed budget. Issue three of that recommendation recommended that FTRI's 1993-1994 proposed budget be approved, with the understanding that the budget would be broken down into five categories: Relay Expenses, Equipment & Repairs, Equipment Distribution & Training, Outreach, and General & Administrative. Staff also recommended that FTRI should not expend any greater amount within any of the five categories than budgeted without prior Commission approval.

By Order No. PSC-93-0995-FOF-TP, issued July 7, 1993, in Docket No. 910496-TP, In Re: Implementation of Florida Telecommunications Access System Act of 1991, the Commission approved FTRI's 1993-1994, proposed budget requiring that the budget be grouped into the five categories listed above. In addition, the Order provided that "FTRI may move amounts between these five categories not to exceed 10 percent of the category from which the funds are being moved, without prior Commission authorization." Since that time, staff has included that verbiage in the annual recommendations addressing FTRI's annual budgets, and the Commission has approved the language in each of the annual Orders approving FTRI's budget.

FTRI believes that the existing verbiage regarding movement of funds between categories is "unnecessary, impractical, and outdated language." It is the view of the FTRI board that "spending priority go to pay for the relay and equipment distribution and, should it be necessary to transfer funds from other accounts to maintain these programs, FTRI should have that flexibility without any unnecessary delay."

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Using FTRI's proposed 2005-2006 budget as an example, under the current requirement for movement of funds, FTRI would be free to move \$935,759 from Category I, \$482,236 from Category II, \$217,350 from Category III, \$73,156 from Category IV, and \$131,352 from Category V (\$1,839,853 in total) without prior Commission approval. Staff believes the current requirement for movement of funds allows FTRI the flexibility it needs to move a significant amount of monies between categories without Commission approval.

Staff also believes that the Commission must retain its responsibility to oversee the monies used by FTRI. Section 427.705(2), Florida Statutes, states "The Commission shall have the authority to establish fiscal and operational requirements for the administrator to follow in order to ensure that the administrative costs of the system are reasonable."

Staff opines that the requirement of prior Commission approval of movement of funds greater than 10% from a category is a useful instrument in overseeing the administration of the funds to ensure reasonableness, and does not believe this requirement poses a burden to FTRI. Furthermore, staff believes that the Commission should be involved in any movement of monies greater than 10% because of the significance of the amounts. As the Florida Relay program has developed over the years, the FTRI budget has increased to over \$18 million dollars, making the 10% requirement even more material. Therefore, staff recommends that the Commission should maintain the requirement that FTRI may not move amounts between the five categories of costs in excess of 10% of the category from which the funds are being moved, without prior Commission authorization.

Issue 3: Should this docket be closed?

Recommendation: No, this docket should not be closed. If the Commission approves staff's recommendation in Issue 1, the result will be a Proposed Agency Action Order, which will become final upon issuance of a Consummating Order, if no person whose substantial interests are affected timely files a protest. (Rojas)

Staff Analysis: This docket should remain open during the contract period with Sprint as the relay provider. This docket is used to monitor relay and contract issues that arise during the contract term.

OR

Attachment A



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April 1, 2005

Mr. Rick Moses, Chief, Bureau of Quality Service
Division of Competitive Markets and Enforcement
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

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COMMISSION
CLERK

RE: FTRI FY 2005 / 2006 Budget

Dear Mr. Moses:

The purpose of this letter is to forward a copy of the FY 2005 / 2006 budget that was recently approved by the Florida Telecommunications Relay, Inc. (FTRI) Board of Directors.

The budget as approved by the Board projects total revenues to be \$17,114,765 and total expenses to be \$18,399,840. The difference will be transferred from the surplus account, which should be approximately \$3,458,395 at the end of the current fiscal year.

Based on the best information available to us, the Board has approved a recommendation to keep the surcharge at its current level of \$.15 for the new fiscal year. We estimate that a surcharge at this level would enable FTRI to maintain its current level of service for the next year. This approach will also allow for reduction of the surplus fund to an approximate level of one-month expenditures as authorized by the FPSC.

As of March 2005, FTRI has over 315,000 individuals in the client database. It is evident that FTRI and its regional partners are reaching out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech impaired. Outreach continues to play a major role in FTRI's mission as we look forward to another successful year creating awareness and telephone independence for the 1.6 million potential clients in Florida.

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CTR With this budget submission FTRI would also propose a modification of one of the ordering paragraphs routinely included in the Order approving the budget. Specifically in each order approving the budget ECR submitted by FTRI since the first budget in 1991, the Commission has included the following language in an Ordering paragraph:
GCL

OPC _____
MMS _____
RCA _____
SCR _____
SEC 1
OTH _____

"... FTRI may move amounts between these five categories not to exceed 10% of the category from which the funds are being moved; greater movement shall require prior Commission authorization."

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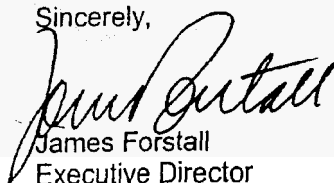
While such language may have served a purpose at the time it was initially propounded in 1991, the need for and potential benefit of such language has diminished over the years. The limitation as currently written only applies to movement of amounts between budget categories and serves only to limit the flexibility of FTRI in performing its duties as the Administrator of TASA. So long as the surcharge is not affected, there should be no limitation on movement of amounts from one category to another.

At no time since its organization in 1991, has FTRI sought a revision to the surcharge other than with the budget approval. Because the program realized a surplus account in the early years, there were years when the surcharge was set to produce less revenue than needed to fund the program in order to reduce this surplus but other than those planned events, FTRI has maintained its budget. There have been years when FTRI spent less than was budgeted in one or more of the five categories, but because of the surplus that is available, it was not necessary to transfer between categories for any over budget category. As the program goes forward, it is the view of the Board that spending priority go to pay for the relay and equipment distribution and, should it be necessary to transfer funds from other accounts to maintain these programs, FTRI should have that flexibility without any unnecessary delay. Accordingly FTRI proposes that the order not include the quoted language.

Accepting the modification as suggested herein would not have any adverse impact on the role or responsibilities of the Commission with respect to TASA, nor would it reduce in any way the information which the Commission receives. Currently, FTRI files copies of its quarterly financials with the Commission, after review and approval by the Board and these would still be filed and available for review. The same is true for the approved budget, audit and annual report; these would all be filed just as they are now. The purpose of submitting this request is not to diminish or affect in any way the statutory oversight authority of the Commission. Rather, the purpose is to eliminate unnecessary, impractical, and outdated language from the budget approval orders.

Should you have questions or desire additional information, please do not hesitate to call me at 205-1470 ext. 230 or email at jforstall@ftri.org.

Sincerely,



James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

FLORIDA TELECOMMUNICATIONS RELAY, INC.
FISCAL YEAR 2005-2006 BUDGET

	2004-2005 APPROVED BUDGET	2004-2005 ESTIMATED REV & EXPEND	2005-2006 PROPOSED BUDGET	VARIANCE 2004-2005 BDGT 2005-2006 BDGT
OPERATING REVENUE				
1 Surcharges	17,852,927	17,646,882	17,073,358	(779,569)
2 Interest Income	14,950	42,291	41,407	26,457
3 Service/Other	0	0	0	0
TOTAL OPERATING REV	17,867,877	17,689,173	17,114,765	(753,112)
OTHER REVENUE/FUNDS				
4 Surplus Account	1,463,383	2,075,610	3,458,395	1,995,012
TOTAL REVENUE	19,331,260	19,764,783	20,573,160	1,241,900
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5 DPR Provider	8,133,661	7,936,048	9,357,596	1,223,935
SUBTOTAL-CATEGORY I	8,133,661	7,936,048	9,357,596	1,223,935
CATEGORY II - EQUIPMENT & REPAIRS				
6 TDD Equipment	355,806	176,400	189,600	(166,206)
7 Large Print TDD's	5,680	0	8,520	2,840
8 VCO/HCO - TDD	86,220	54,000	36,000	(50,220)
9 VCO Telephone	39,745	21,603	20,798	(18,947)
10 Dual Sensory Equipment	13,000	12,990	13,000	0
11 CapTel Phone Equipment	450,000	453,095	433,200	(16,800)
12 VCP Hearing Impaired	3,548,655	3,354,839	3,709,476	160,821
13 VCP Speech Impaired	10,936	10,805	11,972	1,036
14 TeliTalk Speech Aid	136,800	60,000	72,000	(64,800)
15 Jupiter Speaker phone	24,500	12,250	12,250	(12,250)
16 In-Line Amplifier	5,260	4,120	4,320	(940)
17 ARS Signaling Equip	301,430	188,529	189,309	(112,121)
18 VRS Signaling Equip	53,721	73,113	66,834	13,113
19 TRS Signaling Equip	1,120	336	560	(560)
20 Telecomm Equip Repair	112,560	72,602	55,809	(56,751)
SUBTOTAL-CATEGORY II	5,145,433	4,494,682	4,823,648	(321,785)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21 Freight-Telecomm Equip	43,040	22,724	33,573	(9,467)
22 Regional Distr Centers	1,942,755	1,859,810	2,045,739	102,984
23 Workshop Expense	47,568	47,250	94,188	46,620
24 Training Expense	3,732	684	0	(3,732)
SUBTOTAL-CATEGORY III	2,037,095	1,930,468	2,173,500	136,405

FLORIDA TELECOMMUNICATIONS RELAY, INC
FISCAL YEAR 2005-2006 BUDGET

	2004-2005 APPROVED BUDGET	2004-2005 ESTIMATED REV & EXPEND	2005-2006 PROPOSED BUDGET	VARIANCE 2004-2005 BDGT 2005-2006 BDGT
CATEGORY IV - OUTREACH				
25 Outreach Expense	995,450	373,926	731,568	(263,882)
SUBTOTAL-CATEGORY IV	995,450	373,926	731,568	(263,882)
CATEGORY V - GENERAL & ADMINISTRATIVE				
26 Advertising	6,600	2,944	3,600	(3,000)
27 Accounting/Auditing	14,575	14,525	14,961	386
28 Legal	72,000	72,000	72,000	0
29 Computer Consultation	18,200	18,316	39,578	21,378
30 Bank Charges	2,412	1,772	1,051	(1,361)
31 Dues & Subscriptions	3,256	1,782	3,256	0
32 Office Furniture Purchase	4,660	4,575	1,738	(2,922)
32A Less: Capitalized Portion	0	0	0	0
33 Office Equipment Purchase	37,414	31,516	21,870	(15,544)
33A Less: Capitalized Portion	0	0	0	0
34 Depreciation	0	0	0	0
35 Office Equipment Lease	4,925	4,256	4,175	(750)
36 Insurance-Hlth/Life/Dsblty	218,994	187,171	235,964	16,970
37 Insurance-Other	6,582	5,835	6,074	(508)
38 Office Expense	17,427	17,373	23,848	6,421
39 Office Moving Expense	0	0	0	0
40 Postage	24,703	16,245	28,372	3,669
41 Printing	3,496	4,391	3,321	(175)
42 Rent	81,181	81,181	83,616	2,435
43 Utilities	7,383	9,449	9,504	2,121
44 Retirement	66,925	55,297	67,177	252
45 Employee Compensation	493,545	427,136	495,406	1,861
46 Temporary Employment	58,240	31,840	81,496	23,256
47 Taxes - Payroll	37,756	31,715	37,899	143
48 Taxes - Unemplmt Comp	5,306	6,531	7,182	1,876
49 Taxes - Licenses	61	61	61	0
50 Telephone	23,201	18,242	19,859	(3,342)
51 Travel & Business	36,950	17,230	34,325	(2,625)
52 Equipment Maint.	7,215	2,181	7,215	0
53 Employee Training/Dev	7,160	7,160	6,360	(800)
54 Meeting Expense	3,960	540	3,420	(540)
55 Miscellaneous Expense	200	0	200	0
SUBTOTAL-CATEGORY V	1,264,327	1,071,264	1,313,528	49,201
TOTAL EXPENSES	17,575,966	16,306,388	18,399,840	823,874
REVENUE LESS EXPENSES	1,755,294	3,458,395	2,173,320	418,026