

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: April 23, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Casey)
Office of the General Counsel (Tan)
Division of Service, Safety & Consumer Assistance (Moses)

Handwritten signatures and initials: Casey, Tan, Moses

COMMISSION
CLERK

RECEIVED - FPSC
10 APR 23 PM 1:39

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: 05/04/10 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

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.

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

Case Background

The Florida Relay System (FRS) provides hearing impaired persons access to basic telecommunications services by using a specialized communications assistance operator (CA) that relays information between the hearing impaired person and the other party of the call. The primary function of the FRS is accomplished by the hearing impaired person using a Telecommunications Device for the Deaf (TDD) which has a keyboard and screen. The person

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FPSC-COMMISSION CLERK

using the TDD types a message to the CA who in turn voices the message to the other party. The reverse of this process completes messages to the hearing impaired person. This is how the term “relay” originated.

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system and became effective May 24, 1991. TASA is authorized under Chapter 427, Florida Statutes. Section 427.701(1), Florida Statutes, provides that the Florida Public Service Commission (FPSC or 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 hearing impaired or speech impaired, or others who communicate with them. It is estimated that 3 million of the estimated 18.7 million persons living in Florida have been diagnosed as having a hearing impairment. This system provides telecommunications service for hearing impaired persons functionally equivalent to the service provided to hearing persons. 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 \$0.25 per landline access line per month. Florida does not impose a TRS surcharge on VoIP or wireless provider lines as the federal TRS program does. By statute, it is only collected from landline access lines.¹ Accounts with over 25 access lines are billed for only 25 lines.

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies (LEC), was named by the FPSC to serve as the TASA administrator. On July 1, 1991, the LECs 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 approve FTRI's 2010-2011 proposed budget. The Commission is vested with jurisdiction over these matters pursuant to Chapter 427, Florida Statutes.

¹ Florida Telecommunications Relay, Inc. projects another decrease in landline access lines subject to the relay surcharge for the budget year 2010-2011. Surcharge revenues are expected to decrease \$1,222,861 for the 2010-2011 fiscal year. In addition, with the redefinition of basic local service passed by the Legislature in 2009, some competitive local exchange companies are not collecting or paying the relay surcharges on what they now consider is a non-basic line.

Discussion of Issues

Issue 1: Should the Commission approve FTRI's proposed budget as outlined in Attachment A for the fiscal year 2010-2011, effective July 1, 2010, and should the Commission maintain the current Telecommunications Relay Service (TRS) surcharge of \$0.11 per month?

Recommendation: Staff recommends that the Commission approve FTRI's proposed budget operating revenue of \$9,871,383, and proposed budget expenses of \$13,950,655 as outlined in Attachment A for the fiscal year 2010-2011, effective July 1, 2010, with one exception. Staff recommends a decrease of \$798,047 in Relay Provider Services. Staff also recommends that the TRS surcharge be maintained at \$0.11 per month for the fiscal year 2010-2011, effective July 1, 2010. The Commission should order the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers to continue to bill the \$0.11 surcharge for the fiscal year 2010-2011, effective July 1, 2010. (Casey, Moses, Tan)

Staff Analysis: As shown in Table A, minutes of use for traditional TRS has been declining. Sprint Relay, Florida's current relay provider, projects that the traditional TRS minutes will continue to decline at a rate of approximately 1.5 percent per month or 17.81 percent for the 2010-2011 fiscal year. Traditional relay users are transitioning to the more efficient technologies of IP Relay,² Video Relay Service³ (VRS), CapTel captioning service, IP Captioned Telephone Service⁴ (IP CTS), IP Speech to Speech service⁵ (IP STS), and Blackberry or Palm wireless devices.

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 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 addressed and routed link.

⁵ 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.

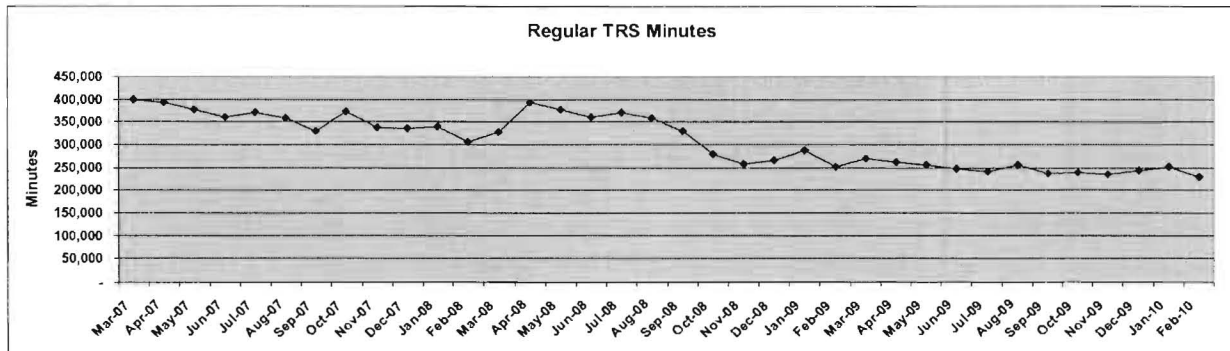


Table A – Florida Traditional TRS Minutes March 2007 – February 2010

VRS and IP Relay

The relay users who use IP Relay and VRS are presently having their relay minutes of use paid through the interstate TRS fund. However, the Federal Communications Commission (FCC) has stated that this arrangement is only temporary. The FCC believes Title IV of the Americans with Disabilities Act⁶ and its legislative history make it clear that Congress intended for the states to be responsible for the cost recovery for intrastate relay services provided under their jurisdiction.⁷

In November 2007, the FCC reiterated its goal of allocating VRS and IP Relay costs by intrastate and interstate to have states assume the cost of intrastate VRS and IP Relay. In order FCC 07-186,⁸ the FCC stated that Section 225 of the Telecommunications Act provides that the costs caused by interstate TRS shall be recovered from all subscribers for every interstate service, and the costs caused by the provision of intrastate TRS shall be recovered from the intrastate jurisdiction. In footnote 15 of that Order, the FCC noted, “The issue of separation of costs relating to the provision of IP Relay and VRS is pending pursuant to the FNPRM in the 2004 TRS Report & Order.”

Historically, there was no means available to automatically determine the geographic location of IP Relay and VRS calls; therefore, there was no way to determine if a particular IP Relay or VRS call was interstate or intrastate. In a June 2008 order,⁹ the FCC approved IP STS service allowing reimbursement from the federal TRS fund stating “We note that this is consistent with the present treatment of the other Internet-based forms of TRS – VRS, IP Relay,

⁶ Title IV of the Americans with Disabilities Act requires that interstate and intrastate telecommunications relay services are available, to the extent possible and in the most efficient manner, to hearing-impaired and speech-impaired individuals in the United States.

⁷ 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.

⁸ In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123, FCC 07-186, Released November 19, 2007.

⁹ In the Matter of Telecommunications Relay Services And Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; CG Docket No. 03-123; Speech-to-Speech and Internet Protocol (IP) Speech-to-Speech Telecommunications Relay Services; CG Docket No. 08-15; FCC 08-149, adopted June 11, 2008, released June 24, 2008.

and IP CTS – and the fact that because one link of the call is made via the Internet it is generally not possible to determine if a particular call is interstate or intrastate.”

Also in June 2008, the FCC released an order¹⁰ adopting a system for assigning users of IP Relay and VRS ten-digit telephone numbers linked to the North American Numbering Plan (NANP). The order requires that the telephone number assignments be “geographically appropriate NANP numbers.” The ten-digit numbering system for IP Relay and VRS had to be implemented no later than December 31, 2008. Staff believes that instituting a ten-digit numbering system for IP Relay and VRS is the FCC’s initial step in determining whether those services are provided through interstate or intrastate routing. Since the beginning and ending points of calls will now be known, the cost burden of intrastate IP Relay and VRS calls could be assigned to the states.

Presently the VRS compensation rate is \$6.70 per minute for the first 50,000 minutes per month, \$6.44 per minute for 50,001 minutes to 500,000 minutes per month, and \$6.24 per minute over 500,000 minutes per month. The National Exchange Carriers Association (NECA), which is the FCC national fund administrator for TRS, has maintained a file of IP Relay and VRS terminating minutes by state since July 2005. Using the latest six-month’s NECA data, Florida averaged 450,125 VRS terminating minutes per month. Using the last intrastate/interstate relay cost allocation used by the FCC for the two-line CapTel phone as an estimate, states would be responsible for 89% of the VRS costs or approximately \$31,077,181 per year for Florida. Both intrastate and interstate VRS costs are presently being paid from the federal TRS Fund.

The IP Relay compensation rate is currently \$1.28 per minute, compared to the traditional TRS compensation rate of \$0.80 per minute (\$0.85 per minute after June 1, 2010). Using the latest six-month’s NECA data, Florida averaged 224,104 IP Relay terminating minutes per month. Using the last FCC intrastate/interstate relay cost allocation as an estimate, states would be responsible for 89% of the IP Relay costs or approximately \$3,063,835 per year for Florida. Both intrastate and interstate IP Relay costs are also presently being paid from the federal TRS Fund.

The FCC has not formally opined on the time frame when the IP Relay and VRS costs will shift to the states or what the intrastate/interstate cost allocation will be. Staff contacted the FCC prior to the filing of this recommendation in an attempt to get a timetable of when the FCC would act. The FCC staff would not provide a timeframe, but did say that the issue is being discussed and is on the table.

Staff estimates that the total monthly responsibility of intrastate IP Relay and VRS costs would be approximately \$2,845,085 per month or \$34,141,016 annually. The \$34,141,016 additional IP Relay and VRS costs could increase the annual budget for Florida TRS to over \$48 million and likely exceed the current \$0.25 cap per access line allowed by statute. If this happens, a legislative change may be necessary to either increase the present TRS cap for local exchange company lines or have all carriers such as wireless and VoIP providers charge the surcharge as the federal TRS program does.

¹⁰ In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No.03-123, FCC 08-151, adopted June 11, 2008, Released June 24, 2008.

The timeline for a legislative change may impair the stability of the Florida TRS fund. To keep the Florida legislature advised as to the FCC proposal for states to absorb the costs of intrastate VRS and IP Relay costs, the last five Commission annual Relay Reports to the President of the Senate and the Speaker of the House of Representatives have included information and updates on the FCC proposal.

In order to minimize the impact of this change on the Florida TRS Fund, the Commission took action in the 2006-2007 FTRI budget year by maintaining a \$0.15 per month TRS surcharge to create a reserve to handle the initial costs of the intrastate VRS and IP Relay cost burden.¹¹ It is estimated that this will provide a reserve in the Florida TRS fund of \$19,837,470 by the end of the current fiscal year in June 2010. This reserve amount should be enough to accommodate the initial intrastate VRS and IP Relay costs should the FCC make a decision in the next fiscal year.

Another alternative is that the federal government take over the entire relay program. However, Section 427.704(1), Florida Statutes, provides that the Commission shall establish, implement, promote, and oversee the administration of a statewide telecommunications access system to provide access to telecommunications relay services by persons who are hearing impaired or speech impaired, or others who communicate with them. Section 427.702(3)(d), Florida Statutes, requires that the telecommunications access system includes the distribution of specialized telecommunications devices necessary for hearing impaired, speech impaired, or dual sensory impaired persons to access basic telecommunications services. Section 427 would have to be eliminated before the federal government could take over the operation of the Florida relay program. All States and the District of Columbia presently have their own Relay programs. Staff is not recommending that the Florida Relay program be eliminated and taken over by the federal government.

CapTel Service

CapTel service, which is a telephone that provides captioning of the incoming call for a hearing impaired person, has had its minutes of use steadily increase over the past year. The average minutes per month for the latest six months increased by 25,503 minutes compared to the previous six month's average minutes. Sprint Relay projects that the CapTel minutes of use will increase approximately 2 percent per month or 23.3 percent for the 2010-2011 fiscal year. The CapTel cost as approved in the current Sprint Relay contract is \$1.40 per minute (\$1.47 per minute after June 1, 2010). Table D shows the historical CapTel minutes of use from March 2007, through February 2010.

¹¹ Docket No. 040763-TP, Order PSC-06-0469-PAA-TP, issued June 1, 2006. Effective July 1, 2007, the surcharge was lowered from \$0.15 to \$0.11 by Order PSC-07-0457-PAA-TP, issued May 29, 2007.

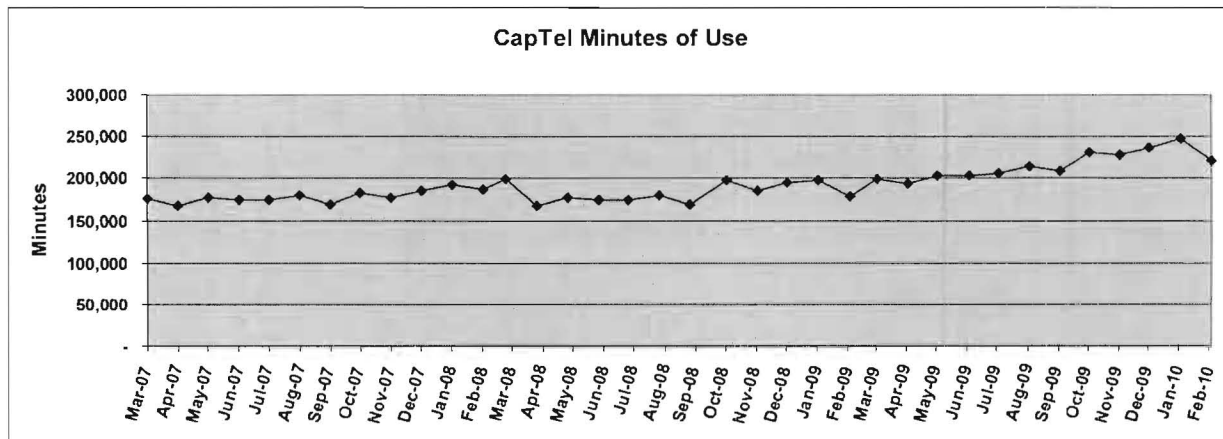


Table B – CapTel minutes of use March 2007 – February 2010

FTRI Budget

The FTRI 2010-2011 fiscal-year budget was reviewed and approved by the FTRI Board of Directors on March 26, 2010, prior to the filing of its budget with the FPSC. The proposed budget includes an increase in expenses of approximately \$2.4 million from the 2009-2010 budget year. The budget projects total revenues to be \$9,871,383 and total expenses to be \$13,950,655. FTRI believes that the TRS surcharge can remain at \$0.11 per access line for the 2010-2011 fiscal year, with its estimated revenue shortfall of \$4,079,272 being covered through the surplus account.

Staff requested additional information from FTRI on 21 different accounts which had increases over 10 percent from the previous year’s budget. Appendix B shows FTRI’s responses to staff’s inquiries. After reviewing FTRI’s responses, staff made adjustments in the Relay Provider Account which included a proposed amount of \$7,192,583 for the 2010-2011 fiscal-year. FTRI used a rate of \$1.40 per minute for projected CapTel minutes of use. By contract, effective June 1, 2010 through May 31, 2011, the CapTel rate increases to \$1.47 per minute. If the Commission approves the last option year of Sprint’s relay contract for 2011-2012,¹² the maximum increase allowed for CapTel would be 5 percent. Therefore, for June 2011 estimated minutes of use, staff used a CapTel rate of \$1.54 per minute.

Sprint will be purchasing advertising in Florida markets for CapTel service during the FTRI fiscal year 2010-2011. At the time FTRI completed its 2010-2011 budget, it did not have an estimate from Sprint on how the CapTel minutes of use would be affected through the

¹² Sprint and the FPSC signed a contract for the provision of relay services which began on June 1, 2005, for a period of three years ending May 31, 2008. The contract contained options to extend the contract for four additional one-year periods, and required mutual consent of both parties to extend the contract. The last contract option will be for the 2011-2012 fiscal year. By contract, Sprint is required to notify the FPSC of its decision whether to extend the relay contract into the last option year by June 1, 2010.

advertising. For its budget, FTRI used Sprint's estimated CapTel minutes of use (without advertising) for 2010-2011 and increased those minutes by 25 percent due to CapTel advertising.

Staff contacted Sprint and requested an analysis on the effect on CapTel minutes of use due to Sprint advertising in Florida markets. Based on other Sprint markets where CapTel advertising was initiated, Sprint estimated that Florida CapTel minutes of use would increase by an average of 3,000 minutes each month.

Staff also adjusted Sprint's projected CapTel minutes for CapTel roaming and guest options. By Order PSC-10-0152-PAA-TP, issued March 15, 2010, the Commission removed CapTel roaming and guest options which were estimated as 7% of total CapTel minutes billed. Florida will now only be paying for minutes made from a CapTel phone registered and used in the State of Florida. For FTRI budgetary purposes, staff made a five percent reduction to estimated CapTel minutes which it believes is a conservative and appropriate estimate.

Staff calculated CapTel projected minutes of use starting with Sprint's estimates, decreased minutes of use for the roaming and guest option elimination, then added 3,000 additional minutes each month for Sprint CapTel advertising. Using the contract minutes of use costs, staff determined CapTel estimated cost for the 2010-2011 fiscal year of \$4,378,326, an increase of approximately \$642,248 over the 2009-2010 fiscal year.

Staff also made an adjustment to the costs of traditional relay service for the 2010-2011 fiscal year. FTRI used a rate of \$0.80 per minute for projected traditional relay service minutes of use. By contract, effective June 1, 2010 through May 31, 2011, the traditional relay service rate increases to \$0.85 per minute. If the Commission approves the last option year of Sprint's relay contract for 2011-2012, the maximum increase allowed for traditional relay service would be 7 percent. Therefore, for June 2011 estimated minutes of use, staff used a traditional relay service rate of \$0.91 per minute. Staff calculated traditional relay service projected minutes of use using Sprint's estimates and contract minutes of use costs to determine traditional relay service estimated cost for the 2010-2011 fiscal year of \$2,016,210, compared to FTRI's estimate of \$1,886,959. Staff reduced FTRI's total proposed relay service provider cost of \$7,192,583 by \$798,047 to show a cost of \$6,394,536 for the 2010-2011 fiscal year.

After analysis of the proposed budget, staff believes FTRI should have sufficient funds for its 2010-2011 fiscal-year budget and will have ample monies in the reserve account to address the initial cost of implementing VRS and IP Relay should that mandate occur. An alternative to using surplus funds would be to increase the TASA surcharge for the 2010-2011 fiscal year by \$0.04 (\$0.11 to \$0.15) per local exchange company access line. However, staff believes that with the economic conditions of today, an increase in the surcharge would not be in the best interest of Florida citizens. Therefore, staff believes that the surcharge should be maintained at \$0.11 per month to cover the FTRI 2010-2011 budget. A comparison of FTRI's 2010-2011 proposed budget, staff's proposed 2010-2011 budget, and the current 2009-2010 estimated revenue and expenditures is shown below.

	FTRI Proposed 2010-2011	Staff Proposed 2010-2011	Current 2009-2010
Operating Revenue:			
Surcharges	\$ 9,767,594	\$ 9,767,594	\$10,452,214
Interest Income	<u>103,789</u>	<u>103,789</u>	<u>109,609</u>
Total Operating Revenue	\$ 9,871,383	\$ 9,871,383	\$10,561,823
Operating Expenses:			
Relay Provider Services	\$ 7,192,583	\$ 6,394,536	\$ 5,801,127
Equipment and Repairs	2,973,049	2,973,049	2,316,514
Equipment Distribution And Training	1,404,842	1,404,842	1,047,238
Outreach	864,400	864,400	911,344
General & Administrative	<u>1,515,781</u>	<u>1,515,781</u>	<u>1,297,659</u>
Total Expenses	\$13,950,655	\$13,152,608	\$11,373,882
Deficit	(4,079,272)	(\$3,281,225)	
Projected Surplus at June 30, 2011	\$15,429,668	\$16,227,715	

Conclusion

Staff has reviewed FTRI's 2010-2011 fiscal year budget request and believes it is reasonable after staff's adjustments for Relay Provider Services. Staff also believes the Commission's actions to minimize the impact of funding the intrastate costs of VRS and IP Relay have provided sufficient reserve in the TRS Fund to allow enough time for legislators to make any necessary changes which may be needed to the TRS statute. The current TRS surcharge of \$0.11 should meet FTRI's budget needs for the 2010-2011 fiscal year. Therefore, staff recommends that the Commission approve FTRI's proposed budget operating revenue of \$9,871,383, and revised budget expenses of \$13,152,608 for the fiscal year 2010-2011, effective July 1, 2010. Staff also recommends that the TRS surcharge be maintained at \$0.11 per month for the fiscal year 2010-2011, effective July 1, 2010. The Commission should order the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers to continue to bill the \$0.11 surcharge for the fiscal year 2010-2011, effective July 1, 2010.

Docket No. 040763-TP

Date: April 23, 2010

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open for the duration of 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. (Tan)

Staff Analysis: This docket should remain open for the duration of 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.



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March 30, 2010

DIVISION OF
REGULATORY COMPLIANCE

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

RECEIVED
MAR 31 2010
Florida Public Service Commission
Division of SSC

RE: FTRI FY 2010 / 2011 Budget

Dear Mr. Moses:

I am pleased to forward a copy of the FY 2010 / 2011 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 26, 2010.

The budget as approved by the Board projects total revenues at the current surcharge level of \$.11 to be \$9,871,383 and total expenses to be \$13,950,655. The difference of \$4,079,272 will be transferred from the surplus account, which should be approximately \$19,837,470 at the end of the current fiscal year. Although a surcharge of \$.11 would produce a shortfall in meeting FTRI's operating expenses, we have not proposed to revise the surcharge because we believe there are sufficient funds in the surplus account to offset the difference.

As of February 2010, FTRI has over 424,200 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 be a large part of our efforts and we are planning to increase these activities in order to continue to reach out to the estimated 3 million potential clients in Florida by creating awareness and telephone independence.

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

Sincerely,

A handwritten signature in cursive script, appearing to read 'James Forstall', is written over a printed name and title.

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

Florida Telecommunications Relay, Inc.
 Fiscal Year 2010/2011 Budget @ .11 cents w/ 2 RDC

	2009/2010 APPROVED BUDGET	2009/2010 ESTIMATED REV & EXPEND	2010/2011 PROPOSED BUDGET	VARIANCE 2009/2010 BDGT 2010/2011 BDGT
OPERATING REVENUE				
1	10,990,455	10,452,214	9,767,594	(1,222,861)
2	215,691	109,609	103,789	(111,902)
3	0	0	0	0
	TOTAL OPERATING REV	11,206,146	9,871,383	(1,334,763)
OTHER REVENUE/FUNDS				
4	18,870,439	19,837,470	19,508,940	638,501
	TOTAL REVENUE	30,076,585	29,380,323	(696,262)
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5	5,520,973	5,801,127	7,192,583	1,671,610
	SUBTOTAL-CATEGORY I	5,520,973	7,192,583	1,671,610
CATEGORY II - EQUIPMENT & REPAIRS				
6	28,600	4,025	0	(28,600)
7	2,520	325	630	(1,890)
8	16,650	0	0	(16,650)
9	14,514	12,550	13,284	(1,230)
10	87,000	87,000	143,925	56,925
11	206,712	206,712	408,312	201,600
12	1,928,192	1,769,144	2,128,280	200,088
13	23,515	19,440	20,648	(2,867)
14	54,000	36,000	45,000	(9,000)
15	11,928	11,928	19,880	7,952
16	3,520	2,880	3,200	(320)
17	78,774	49,623	52,683	(26,091)
18	53,382	44,772	47,880	(5,502)
19	0	0	0	0
20	72,115	72,115	89,327	17,212
	SUBTOTAL-CATEGORY II	2,581,422	2,973,049	391,627
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21	39,088	36,960	41,675	2,587
22	1,082,500	1,000,278	1,288,167	205,667
23	10,000	10,000	60,000	50,000
24	0	0	15,000	15,000
	SUBTOTAL-CATEGORY III	1,131,588	1,404,842	273,254

Florida Telecommunications Relay, Inc.
Fiscal Year 2010/2011 Budget @ .11 cents w/ 2 RDC

	2009/2010 APPROVED BUDGET	2009/2010 ESTIMATED REV & EXPEND	2010/2011 PROPOSED BUDGET	VARIANCE 2009/2010 BDGT 2010/2011 BDGT
CATEGORY IV - OUTREACH				
25 Outreach Expense	911,344	911,344	864,400	(46,944)
SUBTOTAL-CATEGORY IV	911,344	911,344	864,400	(46,944)
CATEGORY V - GENERAL & ADMINISTRATIVE				
26 Advertising	5,232	5,232	7,400	2,168
27 Accounting/Auditing	26,450	27,748	27,088	638
28 Legal	72,000	72,000	72,000	0
29 Computer Consultation	45,779	45,770	70,930	25,151
30 Bank Charges	2,407	246	0	(2,407)
31 Dues & Subscriptions	2,991	3,504	3,679	688
32 Office Furniture Purchase	2,121	2,121	2,333	212
33 Office Equipment Purchase	5,400	5,400	18,550	13,150
34 Office Equipment Lease	3,470	3,470	4,606	1,136
35 Insurance-Hlth/Life/Dsblty	304,345	279,782	347,598	43,253
36 Insurance-Other	4,657	8,980	9,591	4,934
37 Office Expense	15,629	15,257	16,783	1,154
38 Postage	17,989	17,508	18,385	396
39 Printing	4,200	4,222	4,644	444
40 Rent	96,578	94,350	99,626	3,048
41 Utilities	13,201	11,973	13,170	(31)
42 Retirement	63,250	66,705	80,300	17,050
43 Employee Compensation	540,600	506,983	571,944	31,344
44 Temporary Employment	20,480	20,480	30,720	10,240
45 Taxes - Payroll	41,356	41,356	43,754	2,398
46 Taxes - Unemplmt Comp	4,096	7,318	8,721	4,625
47 Taxes - Licenses	63	63	69	6
48 Telephone	20,107	20,443	22,487	2,380
49 Travel & Business	21,601	21,301	26,702	5,101
50 Equipment Maint.	2,396	1,751	1,926	(470)
51 Employee Training/Dev	11,132	10,302	9,042	(2,090)
52 Meeting Expense	3,394	3,394	3,733	339
53 Miscellaneous Expense	0	0	0	0
SUBTOTAL-CATEGORY V	1,350,924	1,297,659	1,515,781	164,857
TOTAL EXPENSES	11,496,251	11,373,882	13,950,655	2,454,404
REVENUE LESS EXPENSES	18,580,334	19,025,411	15,429,668	(3,150,666)



FTRI FY 2010/2011 Proposed Budget

Category I – Relay Services

- 1. A proposed increase of \$1,671,610 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +30.28% change.**

The increase is largely due to the anticipated costs associated with the CapTel Ad campaign planned for the proposed 2010/2011 budget year. FTRI's history of TRS and CapTel usage minutes and budget notes are attached. (Attachments A, B, and C)

Category II – Equipment & Repairs

- 2. Dual Sensory Equipment - A proposed increase of \$56,925 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +60.83% change.**

The introduction of the new Deaf-Blind Communicator (DBC) last August has been well received by the Deaf-Blind community throughout Florida. FTRI budgeted for 10 units this current fiscal year and anticipates a 50% increase in the number of units (15) during the proposed fiscal year. Past equipment for the Deaf-Blind community had been inferior and because of that FTRI had not taken an aggressive approach however the new DBC is the latest improved technology for the Deaf-Blind.

- 3. CapTel Equipment - A proposed increase of \$201,600 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +97.53% change.**

The FY 2009/2010 budget for CapTel is based on actual expenditures as of December 2009 and estimated costs for the remainder of the FYE 2010. Six hundred (600) units have been distributed as of December 2009. FTRI currently has a 0 inventory level and will be using refurbished units (200 model) to meet some of the demand for the remainder of this fiscal year. This equipment is a special price for bulk ordering, it may become necessary for FTRI to purchase individual units at a higher cost if refurbish stock is depleted.

FTRI is anticipating Sprint to continue the ad campaign promoting the CapTel equipment and service during the proposed fiscal year and the introduction of the new CapTel 800 model by the manufacturer. FTRI is projecting estimated need based on these assumptions. FTRI also expects to see an increase in existing CapTel clients wanting to exchange the old model for the newer model.

1,200 units @ \$336 each	\$403,200
12 units @ \$426 each with USB feature	\$ 5,112
	\$408,312

- 4. GEWA/Jupiter Equipment - A proposed increase of \$7,952 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +66.67% change.**

The FY 2009/2010 budget for GEWA is based on actual expenditures as of December 2009 and estimated costs for the remainder of the FYE 2010. Twelve (12) units have

been distributed as of December 2009. Using the monthly average from the prior year of one (1) unit and current applicants FTRI has projected we will need to order twenty (20) units.

20 units @ \$994 each

\$19,880

5. Telecommunication Equipment Repairs - A proposed increase of \$17,212 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +23.87% change.

Included are costs for each different type of repair TTY, VCPH, CapTel, etc. Refurbishment and re-boxing of returned units in good working order as well as repairing or replacement of broken units, in-warranty and out-of-warranty are included. It is expected that CapTel repairs will be increasing due to increased distribution.

Category III – Regional Distribution Centers

6. Regional Distribution Centers - A proposed increase of \$205,667 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +19% change.

FTRI is working to increase new clients served by 10% during the upcoming fiscal year. Based on the monthly average from FY 2009/2010 with expected new clients and factoring our anticipated opening of two additional Regional Distribution Centers (RDC) along with the knowledge that Sprint plans to air CapTel promotional ad campaigns in FY 2010/2011 FTRI has determined that an increase in New, Exchange and Returned client related equipment activities may result in added costs. The exact percentage is impossible to ascertain so an estimate of 10% is being used but could fluctuate up or down. FTRI's new client projections are attached (Attachment D).

7. Workshop Expense - A proposed increase of \$50,000 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +500% change.

FTRI is planning to host an annual conference for all RDCs to introduce new procedures, equipment, etc.

8. Training Expense - A proposed increase of \$15,000 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a N/A% change.

FTRI plans to provide regional training sessions for the RDCs due to staff turnovers at the RDCs.

Category V – General & Administrative

9. Advertising - A proposed increase of \$2,168 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +41.44% change.

Advertisement costs have risen significantly in the past year and FTRI has based anticipated ad costs based on those increases. It's sometimes necessary to advertise a position more than once, or to a broader market than Tallahassee. FTRI has experienced a historical turnover rate of 4 employees per year. Estimated advertising costs are 4 positions at \$925 each per run and 8 runs in a year (4 ads x \$925 each and 4 ads x 2 runs) = \$7,400.

10. Computer Consulting - A proposed increase of \$25,151 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +54.94% change.

Included are funding for periodic software technical support and network administration support. Continued maintenance of the client database system and changes as needed. FTRI intends to use LiquiFusion for maintenance of the server and network as well as making some modifications to the current AIMS database and hiring an additional programmer to aid in completing special projects.

DSL server = \$1,690
Website – 12 hrs/month = 144 hrs @ \$65 = \$9,360
AIMS – 4 hrs/month = 48 hrs @ \$65 = \$3,120
Network Administration – 12 hrs/month = 144 hrs @ \$65 = \$9,360
Server Monitoring & Remote backup = \$50 month x 12 = \$600
Special Projects 200 hrs x 3 = 600 hrs @ \$65 = \$39,000 + 20% for new programmer \$7,800

11. Dues and Subscriptions - A proposed increase of \$688 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +23% change.

FTRI has experienced a rise in subscription and membership costs during the last year and has based anticipated costs based on those increases. Included are NTCA memberships, TEDPA (Telecommunications Equipment Distribution Program Association) membership, HLAAs membership and other memberships directly related to keeping FTRI informed of specialized telecommunications equipment technologies, target population concerns, accounting, human resources, business management and other pertinent issues.

12. Office Equipment Purchase - A proposed increase of \$13,150 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +41.06% change.

FTRI is working to develop a paperless system for the RDC's and the increased costs are for individual RDC equipment purchases for the anticipated paperless project that may include laptops, scanners and possibly bar code readers.

13. Office Equipment Lease - A proposed increase of \$1,136 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +32.74% change.

FTRI found a classification error and the increase is a result of that error. The office copier was incorrectly classified under a different budget line item and has been moved to the proper line item in the proposed 2010/2011 budget.

14. Insurance Health/Life/Disability - A proposed increase of \$43,253 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +14.21% change.

Projected increases for January 2011 through June 2011 are based on the prior year actual rate increase of 8%. Estimate is based on having all 15 positions filled with maximum coverage.

15. Insurance Other - A proposed increase of \$4,934 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +105.95% change.

The rate to cover employees required traveling to do outreach, training, equipment audit, at RDC's, as well as other prudent business trips is \$.46 cents per \$100 of compensation. All other employees (non-travel) are billed at a rate of \$.31 cents per

\$100 of compensation; this is an increase from prior year. Commercial fire, theft and liability insurance are also included and a rate increase is anticipated. FTRI added a new policy to protect board members liability.

16. Retirement - A proposed increase of \$17,050 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +26.96% change.

Based on estimated compensation for 15 employees of \$571,944 X 11.7% and includes a NTCA mandated 2.34% plan surcharge on gross compensation. NTCA is our retirement plan provider.

17. Employee Compensation - A proposed increase of \$31,344 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +5.80% change.

Included is the estimated compensation for 15 employees with a 6 percent increase as stated in the personnel policy as the maximum allowed for merit increases.

18. Temporary Employment - A proposed increase of \$10,240 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +50% change.

FTRI has a historical turnover rate of 4 employees per year and temporary staff is budgeted to cover both current and potential vacancies. In the 2009/2010 budget year FTRI had reduced the cost by -62% in anticipation of a reduced turnover rate. This increase is an adjustment to a closer actual.

4 turnovers x 12 weeks x 40 hours per week at the rate of \$16.00 = \$30,720.

19. Unemployment Taxes - A proposed increase of \$4,625 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +112.92% change.

At the time of the FTRI budget development FTRI was unaware of the new law that was passed in March that reduces the rate from \$8,500 to \$7,000 as a result this line item will actually be less. FTRI did get a rate adjustment that increased the line item prior to the March 2010 notice.

Rates are applied to taxable payroll (the first \$7,000 per employee) computed on a calendar basis and paid quarterly. The rate is applied to each employee, so each new employee hired starts over with the \$7,000 wage limit.

15 employees x \$7,000 wage limit = 105,000
\$105,000 x .0540 = \$5,670
Estimate 4 employee turnovers x \$7,000 wage limit = \$1,512

Total estimated 2010/2011 budget is **\$7,182.**

20. Telephone - A proposed increase of \$2,380 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +11.84% change.

In the 2009/2010 budget year FTRI had reduced the cost by 37% in anticipation of better rates on conference calls and long distance usage. This is an adjustment to a closer actual.

21. Travel and Business - A proposed increase of \$5,101 from the approved 2009/2010 budget to the proposed 2010/2011 budget reflecting a +23.61% change.

FTRI has experienced a rise in airline, hotel and rental car costs and that has been reflected in the 2010/2011 budget.

5A and 5B

Attachment A

FTRI
History of **CapTel** Billing
Using billable minutes

	FYE-2006	FYE-2007	FYE-2008	FYE-2009	Actual/Estimated FYE 2010	Sprint Projection Fiscal Year End 2010	Sprint Projection Fiscal Year End 2011
July	96,453	152,681	174,816	188,128	205,734	205,060	233,164
August	123,234	168,634	179,325	194,462	214,711	209,161	237,624
September	118,102	150,826	168,601	187,544	209,079	196,193	251,463
October	125,084	164,844	182,464	197,815	230,274	204,041	248,920
November	139,578	177,595	177,595	185,882	227,888	197,919	258,990
December	142,194	174,880	185,135	195,088	236,006	202,472	261,508
January	154,922	182,131	192,708	197,338	197,410	197,410	249,485
February	139,451	166,328	186,779	178,544	208,465	208,465	254,475
March	164,687	131,750	198,389	199,125	212,843	212,843	258,876
April	152,057	167,856	193,481	193,527	203,690	203,690	258,876
May	160,167	176,845	192,088	203,551	208,375	208,375	264,054
June	158,497	173,976	179,742	203,078	213,167	213,167	254,350
Total	1,674,426	1,986,347	2,211,122	2,324,082	2,567,640	2,458,796	3,031,785
		18.63%	11.32%	5.11%	10.48%	-4.24%	22.32%
						from 2010 Actual/Estimate	from 2010 Projection

minutes x 1.40
\$2,344,196

minutes x 1.40
\$213,753

minutes x 1.37
\$2,512,122

minutes x 1.37
\$3,029,237

minutes x 1.37
\$3,183,993

minutes x 1.40
\$3,594,696

minutes x 1.40
\$3,442,314

minutes x 1.40
\$4,244,499

25%
\$1,061,125

*****Capitel AD
additional relay

2006	2007	2008	2009	2010 Actual/Estimate	2010 Sprint Projected	2011 Sprint Projected
\$2,344,196	\$2,725,875	\$3,029,237	\$3,183,993	\$3,594,696	\$3,442,314	\$5,305,624

***** Sprint did not project the additional minutes that would be used if they ran a CapTel campaign in FY 10/11. We did find out after these numbers were submitted that they do anticipate running ad campaigns in FY10/11. FTRI has adjusted the CapTel relay portion by 25% to offset expenses not projected by Sprint. This will reflect also in CAT II for equipment and CAT III for added RDC costs.

5A and 5B

Attachment B

FTRI
 History of **Traditional Relay** Billing
 Using billable minutes

	FYE-2006	FYE-2007	FYE-2008	FYE-2009	Actual/Estimated FYE-2010	Sprint Projection Fiscal Year End 2010	Sprint Projection Fiscal Year End 2011
July	579,567	430,704	370,484	312,795	242,080	279,413	219,088
August	570,048	429,176	358,173	310,192	255,382	283,325	216,933
September	527,475	402,303	330,158	286,832	237,748	256,692	194,162
October	524,281	389,452	373,594	279,521	239,075	261,838	202,919
November	590,442	366,787	338,734	257,784	234,559	240,895	191,371
December	640,105	380,868	335,583	265,988	242,358	240,895	192,700
January	502,994	399,004	341,309	288,837	229,574	229,574	192,100
February	465,751	355,793	306,404	252,021	226,590	226,590	189,750
March	510,862	408,690	328,579	270,401	227,497	227,497	191,211
April	463,794	392,574	322,476	261,062	208,160	208,160	190,425
May	463,383	376,050	315,179	254,715	213,156	213,156	189,432
June	428,536	360,588	292,814	247,867	201,860	201,860	188,608
Total	6,267,238	4,691,989	4,013,487	3,288,015	2,758,039	2,869,895	2,358,699
		-25.13%	-14.46%	-18.08%	-16.12%	4.06%	-17.81%
						from 2010 Actual/Estimate	from 2010 Projection
	minutes x .73	minutes x .73	minutes x .75	minutes x .75	minutes x .80	minutes x .80	minutes x .80
	\$4,575,084	\$3,425,152	\$3,010,115	\$2,466,011	\$2,206,431	\$2,295,916	\$1,886,959

2006	2007	2008	2009	2010 Actual/Estimate	2010 Sprint Projected	2011 Sprint Projected
\$4,575,084	\$3,425,152	\$3,010,115	\$2,466,011	\$2,206,431	\$2,295,916	\$1,886,959

2009/2010 Budget \$5,520,973
 Projected 2009/2010 End \$5,801,127
\$280,154 overbudget 5%

2010/2011 Budget Requirements **\$7,192,583**
 Based on the projections provided
 by Sprint Relay.

NOTE:

The final cost and percentage over budget CAT I will be at FYE is subject to change based on the actual billing FTRI will receive January to June 2010.

CATEGORY I

**A. YEAR-END ESTIMATE NOTES
B. FY 2010/2011 PROPOSED BUDGET NOTES**

5A. The FY 2009/2010 budget for Dual Party Relay is based on actual expenditures as of December 2009 and estimated costs for the remainder of the FYE 2010. A decrease of traditional relay billable minutes and an increase of CapTel billable minutes during the first 6 months is an indicator of the need to adjust the projected billable minutes for the remainder of the year. Year-end estimate is 5% higher than the budget as projected by Sprint. Unexpected CapTel ad campaign activity is attributed to the budget overage and FTRI is anticipating that it could increase more based on actual billing FTRI will receive January to June 2010.

Estimated traditional relay	\$2,206,431
Estimated CapTel relay	<u>\$3,594,696</u>
The total estimate is	\$5,801,127

5B. The Dual Party Relay FY 2010/2011 budget is based on FY 2009/2010 actual and estimated costs for FY 2010/2011. The contracted rates of \$.80 cents per billable minute for traditional relay and \$1.40 for CapTel billable minutes have been used. Sprint has provided FTRI with their projections showing a decrease in TRS billable minutes of 18% and an increase in CapTel minutes of 23%. Based on their projected billable minutes and knowledge that Sprint plans to air CapTel promotional ad campaigns we have determined the following.

Estimated 2010/2011 budget for traditional relay is	\$1,886,959
Estimated 2010/2011 budget for CapTel is	<u>\$5,305,624</u>

Total estimated 2010/2011 budget is **\$7,192,583.**

Line 22A & 22B Support

Attachment D

RDC Activity Estimates for FY 2010-2011 with New Client Projections

		7/2009 to 12/2009	Monthly		Goal Amount	Goal Amount	Current Activity	Other Services	Estimated
	RDC Number	Base	Average	Annualized	10% New Clients	10% New Costs	At \$41.50 (new)	Est. w/5% Increase	Annual Total
2	Ft. Lauderdale	970	162	1940	194	\$ 8,051	\$ 80,510	\$ 32,631	\$ 121,192
3	W. Palm Beach	553	92	1106	111	\$ 4,590	\$ 45,899	\$ 49,401	\$ 99,890
4	Daytona Beach/Easter	348	58	696	70	\$ 2,888	\$ 28,884	\$ 16,023	\$ 47,795
5	Jacksonville	225	38	450	45	\$ 1,868	\$ 18,675	\$ 18,360	\$ 38,903
7	Ft. Lauderdale CIL	129	22	258	26	\$ 1,071	\$ 10,707	\$ 9,045	\$ 20,822
8	Miami CIL	83	14	166	17	\$ 689	\$ 6,889	\$ 17,278	\$ 24,856
9	Crystal River	243	41	486	49	\$ 2,017	\$ 20,169	\$ 17,890	\$ 40,076
10	Port Richey	452	75	904	90	\$ 3,752	\$ 37,516	\$ 32,590	\$ 73,858
12	Seminole-Tampa	532	89	1064	106	\$ 4,416	\$ 44,156	\$ 41,483	\$ 90,055
13	Bradenton	338	56	676	68	\$ 2,805	\$ 28,054	\$ 24,793	\$ 55,652
14	Gainesville	400	67	800	80	\$ 3,320	\$ 33,200	\$ 24,675	\$ 61,195
15	Daytona Beach	84	14	168	17	\$ 697	\$ 6,972	\$ 4,728	\$ 12,397
16	Jenson Beach	432	72	864	86	\$ 3,586	\$ 35,856	\$ 17,317	\$ 56,758
17	Fort Meyers	426	71	852	85	\$ 3,536	\$ 35,358	\$ 26,682	\$ 65,575
18	Winter Park	424	71	848	85	\$ 3,519	\$ 35,192	\$ 14,193	\$ 52,904
19	Lakeland	189	32	378	38	\$ 1,569	\$ 15,687	\$ 14,145	\$ 31,400
20	Cocoa	219	37	438	44	\$ 1,818	\$ 18,177	\$ 13,203	\$ 33,197
21	Punta Gorda	318	53	636	64	\$ 2,639	\$ 26,394	\$ 20,796	\$ 49,830
22	Leesburg	249	42	498	50	\$ 2,067	\$ 20,667	\$ 18,808	\$ 41,541
23	AAA*Tallahassee	20	3	40	4	\$ 168	\$ 1,660	\$ 1,478	\$ 3,304
24	Pensacola	124	21	248	25	\$ 1,029	\$ 10,292	\$ 12,202	\$ 23,523
25	Panama City	60	10	120	12	\$ 498	\$ 4,980	\$ 5,504	\$ 10,982
26	Miami Hearing & Spch	20	3	40	4	\$ 166	\$ 1,660	\$ 723	\$ 2,549
	Subtotal	6,838	1,140	13,676	1,368	\$ 56,755	\$ 667,554	\$ 433,947	\$ 1,058,267
	Average for New RDCs based on existing RDC activity								
new	RDC (Jacksonville)	297	50	595	N/A	\$ -	\$ 24,676	N/A	\$ 51,630
new	RDC (Tampa)	297	50	595	N/A	\$ -	\$ 24,676	N/A	\$ 51,630
	Subtotal	595	99	1,189	N/A	N/A	\$ 49,353	N/A	\$ 103,259
	Total Estimated	7,433	1,239	14,865	1,368	56,755	\$ 616,907	N/A	\$ 1,161,616
								*****	10%
									\$ 1,277,667

Other Client Services estimates for FY 2010-2011

	Line 22A & 22B	
Auditing	2,500	
Interpreters	6,500	
Support Services	1,500	
	<u>\$ 10,500</u>	\$ 1,288,167

***** Based on knowledge that Sprint plans to air CapTel promotional ad campaigns in FY 10/11 FTRI has determined that an increase in New, Exchange and Returned client related equipment activities will result in added costs. The exact percentage is impossible to ascertain so an estimate of 10% is being used but could fluctuate up or down.