

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: May 20, 2004

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

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

RE: Docket No. 991222-TP – 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.

AGENDA: 06/01/04 – 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\991222.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 LECs began collecting an initial \$.05 per access line surcharge pursuant to Order No. 24581; the surcharge was increased to \$.10 per access line on July 1, 1992. The surcharge remained at \$.10 per access line through November 30, 1994.

Effective December 1, 1994, the surcharge was increased to \$.12 per access line. Due to 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. Staff was aware that the cash balance would be reduced during the fiscal year and that an increase in the surcharge would be required for the 1996-97 fiscal year. Accordingly, the surcharge was increased back to \$.12 July 1, 1996, and remained at \$.12 for the 1997-98 fiscal year. Because of an increase in FTRI's surplus account, the surcharge was reduced to \$.11 for the 1998-99 fiscal year. The surcharge was again reduced for the 1999-2000 fiscal year, to \$.09. Again, to reduce its surplus fund account, the surcharge was further reduced in the 2000-2001 fiscal year, to \$.08. For the 2001-2002 fiscal year the surcharge was increased to \$.12. This increase was a result of FTRI's annual expenses growing due to the implementation of Turbo Code, significant increases related to the upkeep of certain equipment, the addition of Regional Distribution Centers (RDCs), and increased outreach. The surcharge was decreased to \$.08 for fiscal year 2002-2003 to decrease the surplus fund account once more.

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 May 2003, the Commission approved FTRI's budget which increased the surcharge to \$.12 for fiscal year 2003-2004.

In January 2004, the Commission approved the addition of Captel Service which required a \$.01 surcharge increase to \$.13 to cover the cost of the service.

On April 6, 2004, FTRI filed for approval of its budget for fiscal year 2004-2005. FTRI proposes to increase the surcharge from \$.13 to \$.15.

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 for the fiscal year 2004-2005 effective July 1, 2004? (**Casey, Moses**)

Recommendation: No, the budget should not be approved as proposed by FTRI. Staff recommends that the Commission approve the budget as amended in Attachment A effective July, 2004, and that the TASA surcharge be increased from \$.13 to \$.15. Additionally, the local exchange companies, competitive local exchange companies, and shared tenant providers should be ordered to assess the \$.15 surcharge effective July 1, 2004.

Staff Analysis: Staff reviewed the proposed budget and has worked with FTRI to understand the significant increases in expenditures. In addition, a staff auditor reviewed FTRI's documentation for some of the categories where significant increases were proposed. In order to get the budget approved for the start of the fiscal year, July 1, 2004, staff did not have sufficient time to pursue a thorough audit of all of the budget categories. Staff discovered a number of factors which resulted in the proposed increase in the surcharge:

- FTRI requested \$3,548,655 for VCP Hearing Impaired equipment which is an amplified hearing telephone unit. FTRI has experienced a 33% increase in clients that use this equipment. Staff believes the increase is reasonable.
- Another area that significantly increased is expenses of the Regional Distribution Centers (RDC). FTRI estimates a 20% increase in client base during the upcoming budget year. With this projection of approximately 29,040 new clients, increasing compensation to the RDC by 3%, and adding three new RDCs, staff believes the requested increase is reasonable.
- Another contributing factor that necessitates increasing the surcharge by \$.02 is the estimated 3% reduction in access lines. FTRI used historical data to estimate that there will be a 3% reduction in access lines during the next fiscal year because of consumers migrating to other types of services such as Wireless and Voice Over the Internet (VOIP) which are not currently assessed the surcharge.

A review of the proposed budget showed that some adjustments were appropriate. Therefore, staff recommends the following adjustments for approval of the budget.

Item 11 - Captel Phone Equipment – This proposed amount includes funds for an extended warranty on the Captel equipment. At the time FTRI submitted the proposed budget, it did not know the actual amount that would be charged and estimated the amount at \$35 per unit. Since that time, FTRI determined that the extended warranty will cost \$11 per unit. Therefore, the difference based on 1,200 units is \$28,800, and the \$478,800 proposed should be reduced by \$28,800, which equates to \$450,000.

Item 25 - Outreach Expense – This category includes \$40,000 for a new public service announcement (PSA) during the year for FTRI or Florida Relay, if it deemed necessary. There is also \$15,000 included for Spanish translation of the new PSA. The contract will expire with Sprint during this upcoming fiscal year and staff does not anticipate any changes that would

necessitate FTRI needing a PSA for the relay service. FTRI currently has a PSA for its equipment distribution program and staff does not anticipate changes that would warrant a new PSA.

This category also includes \$100,000 for the development of an Education Kit to be used to educate elementary and middle-school students about FTRI and the Florida Relay. Staff believes this proposed amount is excessive because FTRI has already developed a Business Partners Kit which is very similar in content; therefore, the development costs should be less than estimated by FTRI. Staff did not eliminate the entire \$100,000 from the budget; instead it was reduced by \$50,000 dollars, which leaves \$50,000 that FTRI can use to implement the Educational Kit and see if it proves beneficial before expending additional funds.

With the current outreach effort and expenditure of \$830,300 last year, FTRI increased its client base 33% for amplified phone users and expects an increased client base with the addition of three new RDCs. Accordingly, staff recommends that the outreach budget be reduced from \$1,100,450 to \$995,450, which is \$165,150 more than was spent during the last budget year.

Item 32 - Office Furniture Purchase – The proposed amount includes furniture for an accountant position that has not been approved by the FTRI advisory board. Therefore, staff believes it is inappropriate to budget furniture for an unapproved position at this time. \$2,381 has been removed.

Item 33 - Office Equipment – This amount includes office equipment funds for the unapproved accountant position that can be eliminated. \$2,214 should be subtracted from the proposed amount of \$39,628 for a total of \$37,414.

Item 36 - Insurance Hlth/Life/Dsblty - Includes insurance funds for the accountant position. \$19,424 has been removed as fallout of removing the position from the budget.

Item 37 - Insurance Other - Includes worker compensation for the accountant position. \$52 has been removed as fallout of removing the position from the budget.

Item 38 - Office Expense – This account included \$5,000 for “outreach supplies.” A PSC staff auditor requested support for this figure, but none was provided by FTRI. Lacking support of the proposed figure, staff recommends that this account be reduced by \$5,000.

Item 44 - Retirement - \$2,712 should be removed for the accountant position as fallout from eliminating the position in this budget.

Item 45 - Payroll – The accountant position should be removed. The position was proposed and budgeted by FTRI, but the FTRI advisory board has not approved it. The advisory board stated that it would evaluate the future workflow to determine the necessity for the position. \$20,000 should be deducted from the proposed \$513,545 for a total of \$493,545.

Item 46 - Temporary Help – The FTRI budget includes two full time and three half time temporary employees. Staff recommends the removal of the three half time temporary positions which were budgeted to fill vacant positions. FTRI can use the funds allotted for the vacant full

time positions for temporary help until the full time positions are filled. Therefore, staff recommends the removal of the \$43,680 budgeted for the three half-time temporary positions. The recommended amount for this item should be \$58,240.

Item 47 - Payroll Taxes – Remove \$1,530 allotted for the accountant position as fallout of removing the position from the budget. Total should be \$37,756.

Item 48 - Unemployment Taxes –Deduct \$265 for accountant position as fallout of removing the position from the budget. The total should be \$5,306.

Summary of Staff Recommended Adjustments to the FTRI 2004-2005 Budget

FTRI’s proposed budget for the fiscal year 2004-2005 is \$17,807,024. The following is a summary of staff’s recommended adjustments:

<u>Item</u>	<u>Addition (Reduction)</u>
Item 11 - Captel Phone Equipment	\$ (28,800)
Item 25 - Outreach Expense	(105,000)
Item 32 - Office Furniture Purchase	(2,381)
Item 33 - Office Equipment	(2,214)
Item 36 - Insurance Hlth/Life/Dsblty	(19,424)
Item 37 - Insurance Other	(52)
Item 38 - Office Expense	(5,000)
Item 44 - Retirement	(2,712)
Item 45 - Payroll	(20,000)
Item 46 - Temporary Help	(43,680)
Item 47 - Payroll Taxes	(1,530)
Item 48 - Unemployment Taxes	<u>(265)</u>
Total	\$ <u>(231,058)</u>

Accordingly, staff recommends that the Commission approve a 2004-2005 fiscal year FTRI budget of \$17,575,966 as described above and illustrated in Attachment A, effective July 1, 2004, and that the TASA surcharge be increased from \$.13 to \$.15. As is the case today, 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 appears from the audit findings that FTRI has moved in excess of 10% from one category to another without Commission approval during the fiscal year ending June 30, 2003. FTRI has not had the opportunity to respond to the audit findings; therefore, staff will address this action in a subsequent recommendation, if appropriate.

Docket No. 99122-TP

Date: May 20, 2004

Issue 2: 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.

FLORIDA TELECOMMUNICATIONS RELAY, INC.

FISCAL YEAR 2004-2005 BUDGET

ITEM NUMBER		2003-2004 APPROVED BUDGET	2003-2004 ESTIMATED REVENUE & EXPENDITURES	2004-2005 PROPOSED BUDGET	STAFF RECOMMENDED AMOUNT IF CHANGED FROM PROPOSED AMOUNT
		\$	\$	\$	\$
	<u>Operating Revenue</u>				
1	<i>Surcharges</i>	15,487,150	15,130,807	17,852,927	
2	<i>Interest Income</i>	11,714	15,082	14,950	
3	<i>Service/Other</i>	0	0	0	
4	<i>Surplus Account</i>	925,212	1,563,702	1,463,383	
	<u>GRAND TOTAL REVENUE</u>	16,424,076	16,709,591	19,331,260	
CATEGORY I	<u>Operating Expenses/ Relay Services</u>				
5	<i>DPR Provider</i>	8,011,548	7,603,854	8,133,661	
CATEGORY II	<u>Equipment & Repairs</u>				
6	<i>TDD Equipment</i>	445,278	344,500	355,806	
7	<i>Large Print TDDs</i>	13,632	11,360	5,680	
8	<i>VCO/HCO – TDD</i>	70,920	72,000	86,220	
9	<i>VCO Telephone</i>	82,936	56,972	39,745	
10	<i>Dual Sensory Equipment</i>	39,840	6,500	13,000	
11	<i>Captel Equipment</i>	N/A	157,200	478,800	450,000
12	<i>VCP Hearing Impaired</i>	2,458,272	2,957,213	3,548,655	
13	<i>VCP Speech Impaired</i>	14,612	9,098	10,936	
14	<i>TeliTalk Speech Aid</i>	360,000	190,800	136,800	
15	<i>Jupiter Speaker Phone</i>	N/A	24,500	24,500	
16	<i>In-Line Amplifier</i>	6,240	4,380	5,260	
17	<i>ARS Signaling Equipment</i>	266,281	251,199	301,430	
18	<i>VRS Signaling Equipment</i>	73,950	53,721	53,721	
19	<i>TRS Signaling Equipment</i>	1,344	560	1,120	

ITEM NUMBER		2003-2004 APPROVED BUDGET	2003-2004 ESTIMATED REVENUE & EXPENDITURES	2004-2005 PROPOSED BUDGET	STAFF RECOMMENDED AMOUNT IF CHANGED FROM PROPOSED AMOUNT
		\$	\$	\$	\$
20	<i>Telecom Equipment Repair</i>	87,566	90,659	112,560	
	<u>TOTAL</u>				
	<u>CATEGORY II</u>	3,920,871	4,230,662	5,174,233	
CATEGORY III	<u>Equipment Distribution & Training</u>				
21	<i>Freight-Telecom Equipment</i>	47,112	19,087	43,040	
22	<i>Regional Distribution Centers</i>	1,267,752	1,451,576	1,942,755	
23	<i>Workshop Expense</i>	43,235	34,112	47,568	
24	<i>Training Expense</i>	32,400	20,554	3,732	
	<u>TOTAL</u>				
	<u>CATEGORY III</u>	1,390,499	1,525,329	2,037,095	
CATEGORY IV	<u>Outreach</u>				
25	<i>Outreach Expense</i>	892,900	830,300	1,100,450	995,450
	<u>TOTAL</u>				
	<u>CATEGORY IV</u>	892,900	830,300	1,100,450	
CATEGORY V	<u>General & Administrative</u>				
26	<i>Advertising</i>	3,000	6,786	6,600	
27	<i>Accounting/Auditing</i>	28,000	14,150	14,575	
28	<i>Legal</i>	72,000	72,000	72,000	
29	<i>Computer Consultation</i>	4,690	10,005	18,200	
30	<i>Bank Charges</i>	2,160	2,342	2,412	
31	<i>Dues & Subscriptions</i>	2,365	1,940	3,256	
32	<i>Office Furniture Purchase</i>	9,574	2,733	7,041	4,660
33	<i>Office Equipment Purchase</i>	34,311	15,036	39,628	37,414
34	<i>Depreciation</i>	0	0	0	
35	<i>Office Equipment Lease</i>	4,712	3,315	4,925	
36	<i>Insurance-</i>	183,893	160,116	238,418	218,994

ITEM NUMBER		2003-2004 APPROVED BUDGET	2003-2004 ESTIMATED REVENUE & EXPENDITURES	2004-2005 PROPOSED BUDGET	STAFF RECOMMENDED AMOUNT IF CHANGED FROM PROPOSED AMOUNT
		\$	\$	\$	\$
	<i>Health/Life/Disability</i>				
37	<i>Insurance – Other</i>	5,660	5,800	6,634	6,582
38	<i>Office Expense</i>	20,648	17,595	22,427	17,427
39	<i>Office Moving Expense</i>	0	0	0	
40	<i>Postage</i>	24,703	15,650	24,703	
41	<i>Printing</i>	4,052	3,101	3,496	
42	<i>Rent</i>	78,816	78,816	81,181	
43	<i>Utilities</i>	6,290	6,027	7,383	
44	<i>Retirement</i>	58,352	55,596	69,637	66,925
45	<i>Employee Compensation</i>	516,391	439,971	513,545	493,545
46	<i>Temporary Employment</i>	19,404	37,676	101,920	58,240
47	<i>Taxes – Payroll</i>	39,504	33,658	39,286	37,756
48	<i>Taxes – Unemployment Compensation</i>	4,094	4,030	5,571	5,306
49	<i>Taxes – Licenses</i>	61	61	61	
50	<i>Telephone</i>	21,286	19,791	23,201	
51	<i>Travel & Business</i>	28,096	33,314	36,950	
52	<i>Equipment Maintenance</i>	6,615	6,615	7,215	
53	<i>Employee Training</i>	4,900	3,238	7,160	
54	<i>Meeting Expense</i>	3,220	6,701	3,960	
55	<i>Miscellaneous</i>	200	0	200	
	<u>TOTAL</u>	1,186,997	1,056,063	1,361,585	
	<u>CATEGORY V</u>				
	<u>TOTAL EXPENSES</u>	15,402,815	15,246,208	17,807,024	17,575,966