

# TRS FUND COUNCIL

## OCTOBER 25, 2012

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Rolka Loubé Saltzer Associates LLC  
Interstate TRS Fund Administrator

# Outline:

- Interstate THS Fund Monthly Status Report
- Status of Service Provider Auditing
- VRS & IP Relay state by state reporting
- Availability of data prior to the annual meeting
- Status of Implementation of NDBEDP
- IP Relay price cap recommendation (6-30-2010 to 6-30-2013)
- VRS Supplemental Filing Public Notice
- Usage Trends

# Where is the report?

- <http://www.r-l-s-a.com/TRS/index.htm>

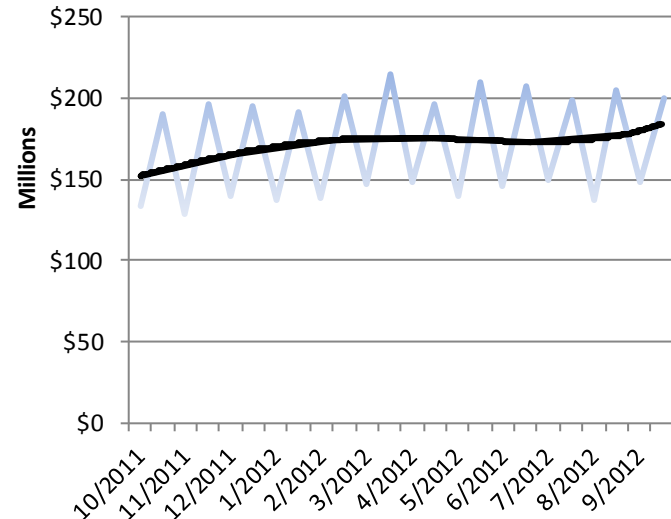
# Monthly Fund Status Report

- First Section – top of the page:

## September 2012

	<u>Actual</u>	
Opening Balance	\$ 149,369,650	
Receipts		
Receipts from Carriers	\$ 51,358,844	
Interest Received	\$ 6,250	
Miscellaneous	\$ -	
Total Receipts	\$ 51,365,094	+\$ 51,365,094
Disbursements		
Service Provider Support	\$ 75,721,129	
Council Meeting Expenses	\$ 258	
Administration	\$ 89,726	
E911/10 Digit Number DB	\$ 32,083	
Miscellaneous	\$ 131,485	
Total Disbursements	\$ 75,974,681	-\$ 75,974,681
Closing Balance		<u>\$ 124,760,063</u>

## Fund Balance



# Monthly Fund Status Report

- The Middle of the page – Sept. for July +/- why blanks?

## Projected vs Paid During September 2012

Category	Interstate TRS	Interstate CTS VCO	IP	Interstate STS	IP CTS	All VRS	Total
Projected Minutes	327,293	868,998	2,547,635	12,675	5,565,491	9,245,845	
Rate Per Minute	\$ 2.0304	\$ 1.7730	\$ 1.2855	\$ 3.1614	\$ 1.7730	Multiple	
Projected Support	\$ 664,537	\$ 1,540,733	\$ 3,274,985	\$ 40,071	\$ 9,867,616	\$ 48,986,503	\$ 64,374,445
Total Support Paid*	\$ 1,770,745	\$ 4,117,530	Confidential	\$ 82,145	\$ 20,102,212	\$ 47,197,227	Confidential
Diff. Projected vs. Paid	\$ 1,106,208	\$ 2,576,797		\$ 42,074	\$ 10,234,596	\$ (1,789,276)	
% Difference	166.5%	167.2%		105.0%	103.7%	-3.7%	
# of Providers Paid During Month	4 (AT&T, KRSI, Hamilton, Sprint)	4 (AT&T, KRSI, Hamilton, Sprint)		4 (AT&T, KRSI, CSDVRS, Sprint)	4 (Hamilton, Sorenson, Purple Comm, Sprint)	5 (Convo, Gracias, CSDVRS, Sorenson, Purple)	

\* May include support for minutes of services during past periods

# Monthly Fund Status Report

- Also in the middle of the page – reverse engineering & YTD comparison by service

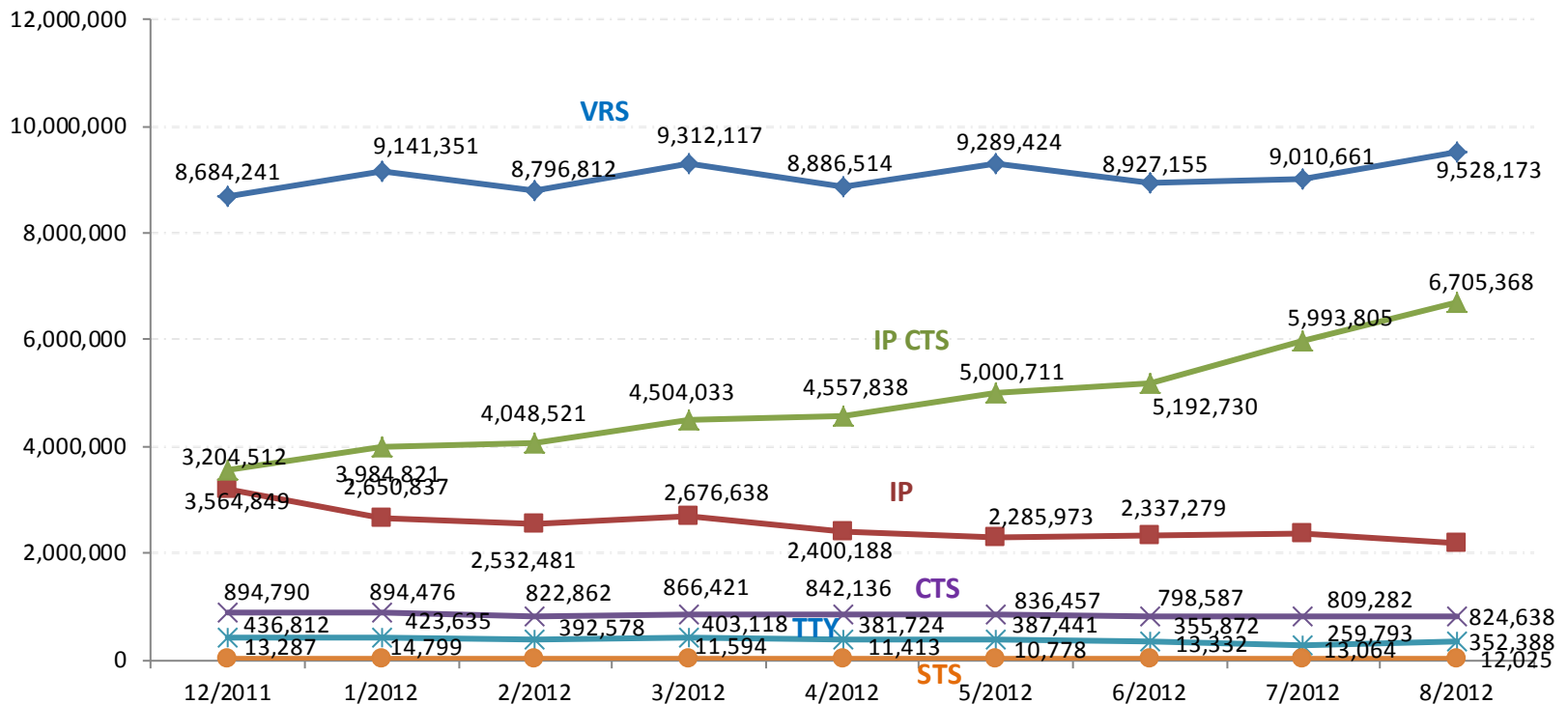
## Cumulative Rate-Year to Date Reimbursements to Providers

Category	Interstate TRS	Interstate CTS VCO	IP	Interstate STS	IP CTS	VRS	Total
Jul 2012-Sep 2012	\$ 2,465,709	\$ 5,271,900	Confidential	\$ 126,859	\$ 31,641,852	\$ 142,441,538	Confidential
Jul 2011-Sep 2011	\$ 2,576,235	\$ 4,061,876	\$ 12,059,996	\$ 105,786	\$ 11,523,723	\$ 136,696,221	\$ 167,023,837

# Monthly Fund Status Report

- At the bottom of the page – Reported minutes

Reported minutes of service per month for each service type



# Service Provider Auditing

- I – Sorenson
- II – Purple
- III – Sprint
- IV – AT&T + CSDVRS
- V – Hamilton + KRSI + Snap + Healinc
- VI – Convo + Gracias + CAAG



# Provider Audits

- Scope = July 2011 – June 2012
- Procedures and compliance
- Auditors selected by competitive bid
- Five Bidders – Three Selected

# Provider Audits

- Williams & Adley selected for Sorenson & Purple (I & II)
- McKonly & Adley selected for Sprint, AT&T, CSDVRS (III & IV)
- Clifton Larsen Allen selected for Hamilton, KRSI, Snap, Healinc, Convo, Gracias, & CAAG (V & VI)

# Provider Audits

- First experience with auditing provider procedures
- Selected several firms for purposes of comparative learning
- Draft results were due by the end of September
- Providers currently preparing their responses
- Expect the audits to be finalized within the next few weeks
- RLSA plans to provide an overview of the findings to accompany the final reports to be shared with the FCC.

# VRS & IP Relay state by state Reporting

Unfortunately, I have to report to you that we are not able to generate these reports in a reliable fashion from the data that we currently require from the service providers, and we are reluctant to expand the list of reports that we require from service providers without a better understanding of the relevance of these reports to the program.

We ask that the Council discuss the relevance of these reports to reimbursement requests or to revenue requirements so that the issue can be pursued with the providers and the FCC.

# VRS & IP Relay state by state Reporting

- If we make a blanket request of all the providers for the ongoing submission of information, the responses have to be either 'reasonably requested for purposes of computing payments or revenue requirements' or considered to be voluntary, since they are not supported by a rule.

# Supporting data requirements

- In a continuing effort to ensure that we are able to understand the call data that is being collected for the provision of VRS, IP and IP CTS services, we have been considering a few changes to the data supporting the filings.
- Recently we circulated some of our data collection ideas to the service providers and welcomed their comments on these potential changes, each of which might have a bearing on reimbursements, we also welcome comments or observations from members of the Council:

# Items under consideration

- We are considering receiving **ALL** call records, including non-compensable calls, along with an additional Boolean field to indicate whether reimbursement is being requested
- 
- We are considering the addition of a field to indicate that a call is a test or internal call that should not be counted for speed of answer purposes.

# Items under consideration

- We are considering the addition of a date/time field to report when a call is handed from the PSN (or Internet), to the provider's system. This is the time when the call is delivered to the TRS facility's network. (*Abandoned calls are currently reported without any indication of what date/time the call came in.*)
- We are considering the addition of a date/time field to report when the incoming call terminates.



# Items under consideration

- We are considering the addition of a conversation counter/ID. This is a unique ID **per outbound call within a session** for conversations where a CA change occurred and thus a new CDR will be reporting the change of the CA, this field would contain the same unique value for all of the records created for one outbound call.
- Collection of all VRS, IP Relay and IPCTS CDR data with a field to indicate whether the record is being requested for compensation and another field for whether the record is a test or internal call.
-

# Items under consideration

- We asked how the above changes would affect:
- the size of the CDR file(s) to be submitted
- what problems, if any, they might have adjusting your reporting process to accommodate such changes, and
- how soon the changes could be implemented

# Data prior to the Annual Meeting

- Individual provider and MARS data is considered to be confidential and can only be shared with the Council on an aggregated basis.
- RLSA will share the aggregated data for the up coming year with the Council as we are able to compile it in a format that does not breach our confidentiality obligation.
- RLSA anticipates that the aggregated data will be available to the Council members sometime in March 2013.

# Implementation of NDBEDP

- First program year is July 2012 to June 2013
- \$10 Million of use it or lose it funding
- Perkins School for the Blind chosen for National Outreach
- \$0.5 million dedicated to National Outreach
- \$9.5 million dedicated to 53 certified entities

# Implementation of NDBEDP

- The national Outreach Announcement and the state by state certifications and allocations can be found at:
  - <http://www.r-l-s-a.com/TRS/NDBEDP.htm>
- For additional information about the program and a link to the FCC NDBEDP site.

# Implementation of NDBEDP

- Perkins School for the blind monthly conference calls
- Contact:
  - Betsy McGinnity, Director,
  - Training and Educational Resource Program
  - Perkins School for the Blind
  - Watertown MA 02472
    - 617-972-7519
    - **Betsy.mcginnity@perkins.org**

# Implementation of NDBEDP

- FCC NDBEDP Contacts:
- Rosalin Crawford
- 202-418-2075
- [Rosalin.crawford@fcc.gov](mailto:Rosalin.crawford@fcc.gov)
- Jackie Ellington
- 202-418-1153
- [Jackie.ellington@fcc.gov](mailto:Jackie.ellington@fcc.gov)

# Implementation of NDBEDP

- Admin reimbursable up to 15% of other reimbursable costs NOT 15% of the state allocation
  - Example: \$100,000 allocation
- July = \$1,000 admin + \$2,000 other reimbursable costs
- Result Paying \$300 admin + \$2,000 other and banking \$700 of admin for possible future payment.
- August = \$500 admin+ \$10,000 other reimbursable costs
- Result Paying \$500 admin + \$700 admin + \$10,000 other reimbursable costs.



# IP Relay Price Cap Recommendation

- Although the current price cap regime remains in effect through June 30, 2013, IP Relay service providers are still required to report historical and projected costs to the Administrator on an annual basis.
- Following are the results of analyzing the recent cost data submitted by the IP Relay service providers.

# IP Relay Price Cap Recommendation

Year	Cost	Rate
2010	\$1.0935	\$1.2985
2011	\$0.9375	\$1.2920
2012 projected	\$1.0958	\$1.2855

# 10-15-2012 Public Notice

- Structure & Practices of the VRS Program & Rates
- DA 12-1644 released Oct 15, 2012
- Comments due 11-14-2012
- Reply Comments due 11-29-2012
- There are three parts to the public notice:

# 10-15-2012 Public Notice

1. Should all VRS access technologies migrate to a standard software based access technology that could be used on commonly available off-the-shelf hardware to further interoperability and portability.
2. Should all providers of ASL and CA services use an enhanced version of the TRS numbering directory to provide features such as user registration and validation, call routing, and usage accounting.
3. Proposed VRS rates for the remainder of the program year.

# The Current Interim VRS Rates

VRS Current Interim Rates		
VRS	MOU	
Tier I	<50,000	\$6.2390
Tier II	50,000 to 500,000	\$6.2335
Tier III	>500,000	\$5.0668

# RLSA Recommendations

1. The Tier 1 rate should be equal to the Tier 2 rate.
  2. The Tier 2 and Tier 3 rates should decrease by one-third of the difference between the current rate and the weighted average cost of service for the years 2010, 2011, and 2012.
  3. The size of the tiers should be integrated into the annual rate-making proceedings rather than be established in a rule making proceeding.
- *The cost data for 2010 and 2011 are the actual costs of the providers and the cost data for 2012 are the projected costs of the providers.*

**Table 2: VRS Cost Composition**

<b>Category</b>	<b>Actual 2010</b>	<b>Actual 2011</b>	<b>Projected 2012</b>
<b>Facilities</b>	\$ 0.2883	\$ 0.2556	\$ 0.2698
<b>Communication s Assistants' (CA) Related</b>	\$ 1.4647	\$ 1.3527	\$ 1.6418
<b>Non-CA Relay Center</b>	\$ 0.4098	\$ 0.3701	\$ 0.3964
<b>Indirect</b>	\$ 0.6556	\$ 0.5489	\$ 0.5818
<b>Depreciation</b>	\$ 0.2176	\$ 0.1979	\$ 0.1739
<b>Marketing</b>	\$ 0.0504	\$ 0.0441	\$ 0.0466
<b>Outreach</b>	\$ 0.2741	\$ 0.2606	\$ 0.2594
<b>Other</b>	\$ 0.1185	\$ 0.0823	\$ 0.0021
<b>Return on Investment</b>	\$ 0.0702	\$ 0.0575	\$ 0.0440
<b>Total Cost</b>	\$ 3.5493	\$ 3.1698	\$ 3.4158

# Return based on 1990 data

- The return on investment is calculated without accounting for the requirement to pay federal corporate income tax. It is based solely on the FCC's 11.25% rate of return that was adopted in 1990.
- Accounting for the corporate income tax increases the cost by approximately 2 cents per minute.

*The corporate income tax calculation was based on a 15.21% grossed-up cost of capital. That factor was calculated using the following equation:  $15.21 = 11.25 * (1 + (EP * Tax / (1 - Tax)))$ , where the EP, equity percentage, 63.8, is based on the factors used to determine the 11.25% return, and a 35% tax rate. See *Represcribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No.89-624, Order, FCC 90-315 (Order released December 7, 1990, corrected December 21, 1990).*

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# The VRS market has changed!

- **Substantial turn-over in the number of firms.**
- While **9** firms provided VRS in 2010.
- **10** firms provided VRS in 2011.
- only **8** firms provided projected cost data for 2012.
- **3** of those eight firms who offered 2012 projections are no longer providing VRS, and
- **1** additional firm that is not represented in the data or projections has been conditionally certified and entered the VRS market.

# Filed Recommendation

- Based on weighted average cost of service 2010 – 2012  
Including federal corporate income tax it is \$3.396.
- Phase change in over multi-year period i.e 3 yrs
  - Set Tier I equal to Tier II
  - Tier I & Tier II = \$5.2877
    - Tier III = \$4.5099

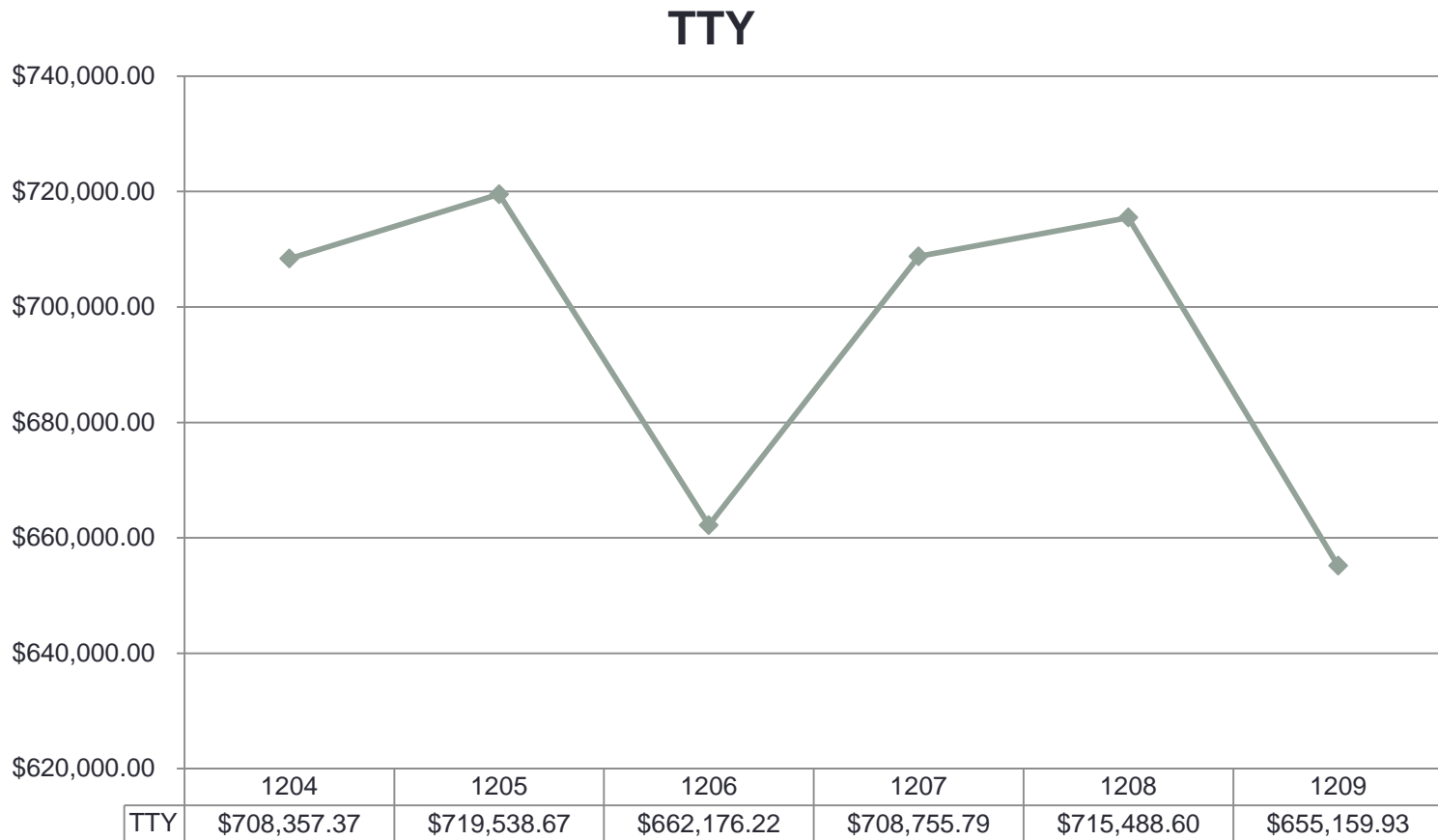
# VRS Beyond the Public Notice

- Rate Base Rate of Return?
  - Price Cap?
- Operating Ratio?
  - Other?

# Usage Trends – TTY

Blue – Compensation

Red – Minutes

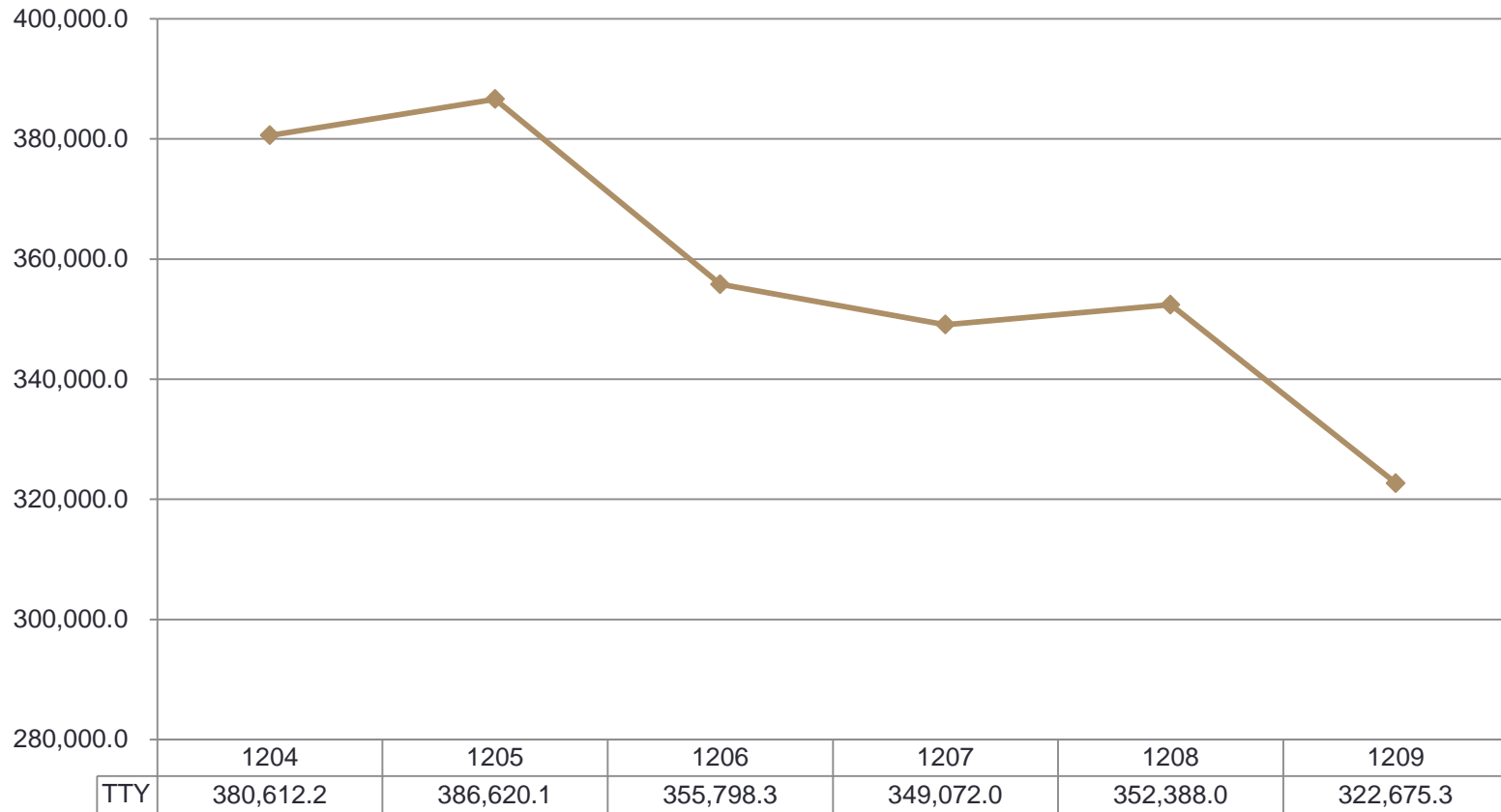


# Usage Trends – TTY

Blue – Compensation

Red – Minutes

## TTY

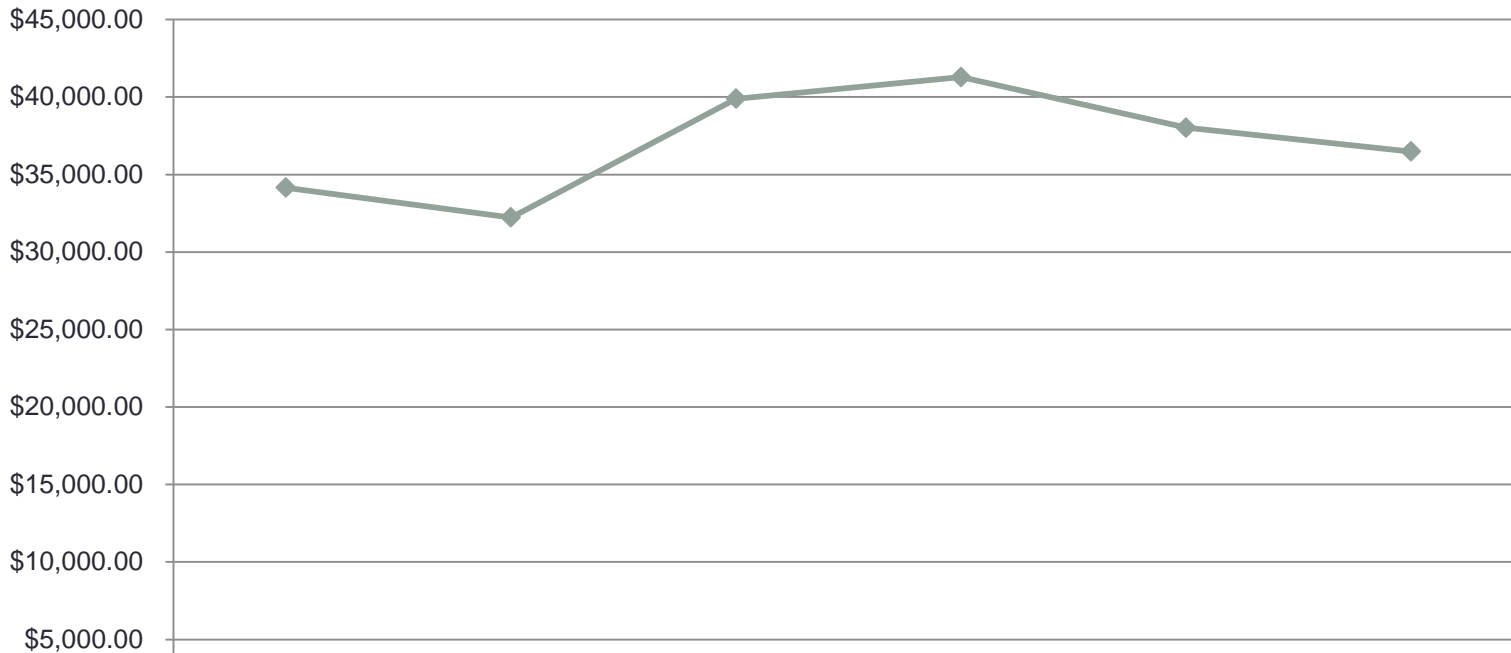


# Usage Trends – STS

Blue – Compensation

Red – Minutes

## STS

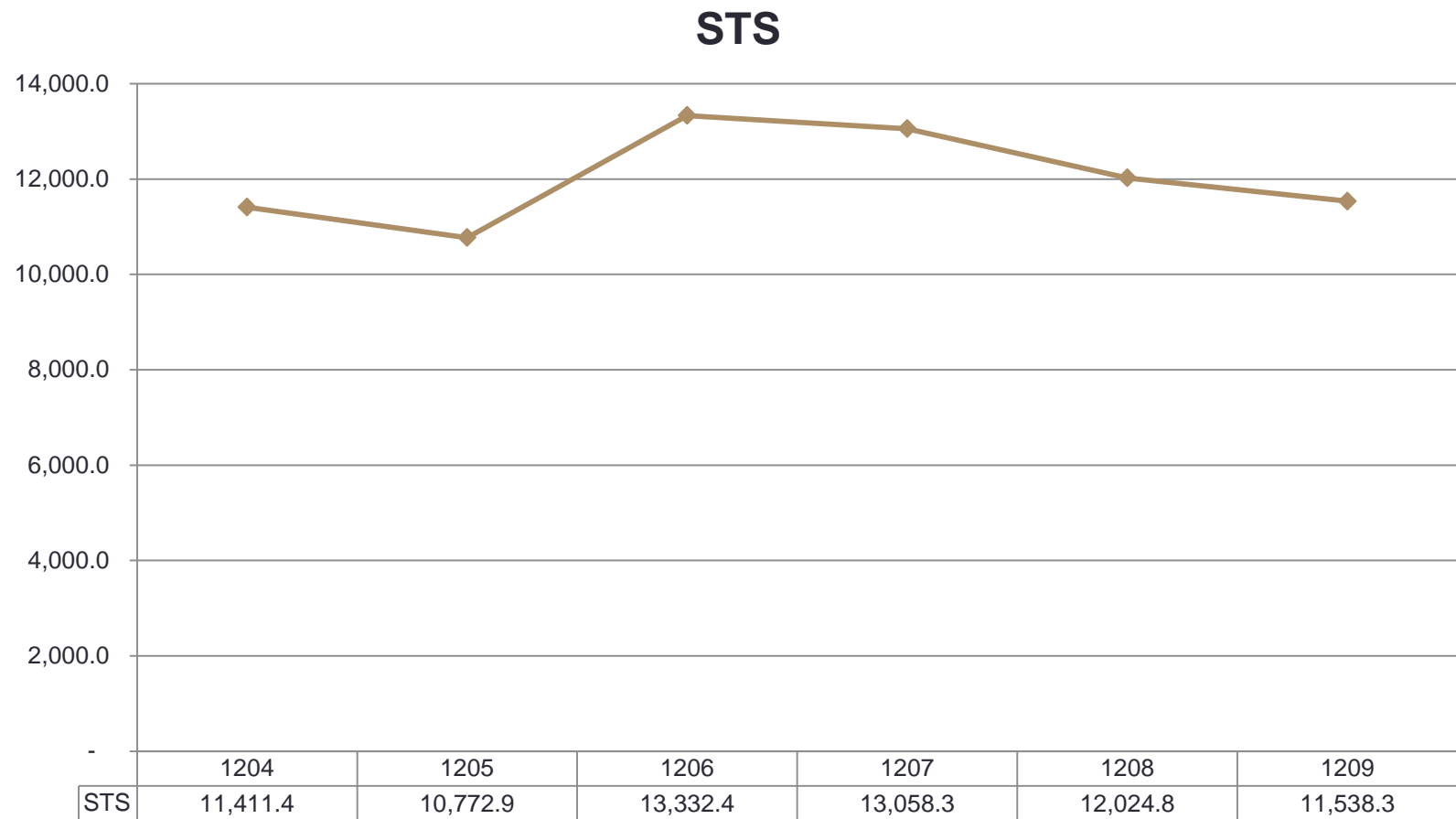


	1204	1205	1206	1207	1208	1209
STS	\$34,144.05	\$32,233.59	\$39,891.87	\$41,282.51	\$38,015.20	\$36,477.18

# Usage Trends – STS

Blue – Compensation

Red – Minutes

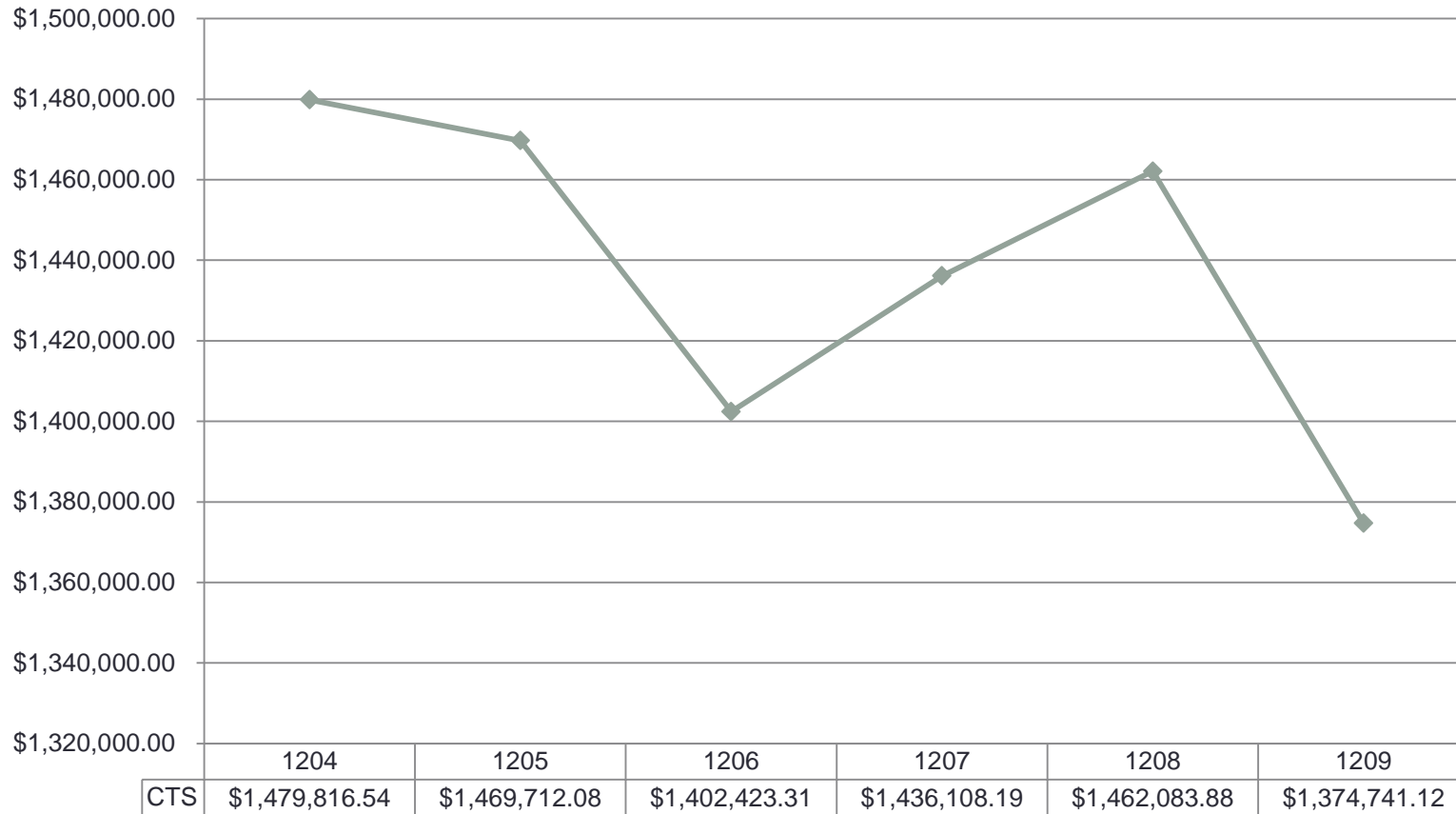


# Usage Trends – CTS

Blue – Compensation

Red – Minutes

## CTS



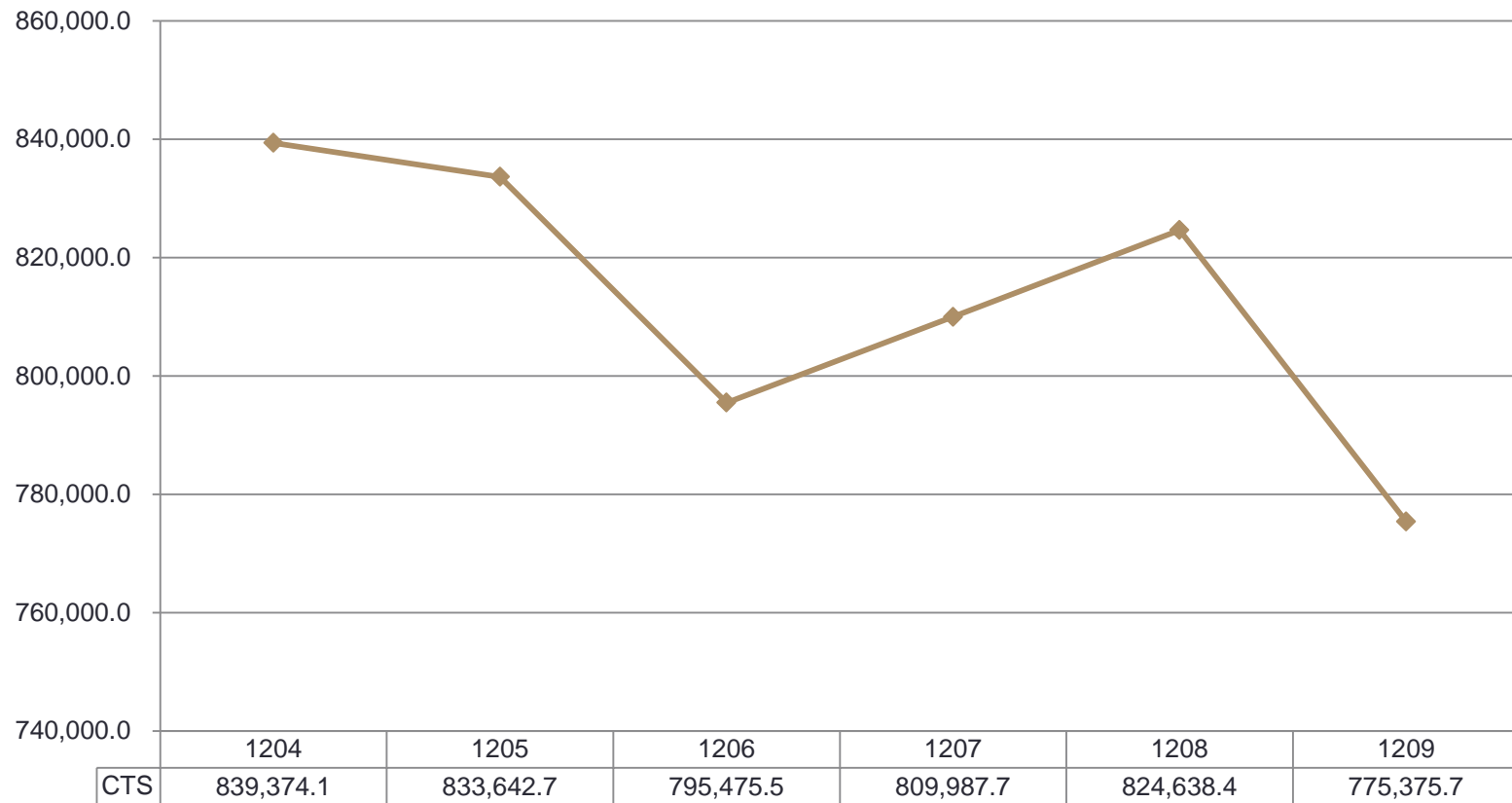


# Usage Trends – CTS

Blue – Compensation

Red – Minutes

## CTS

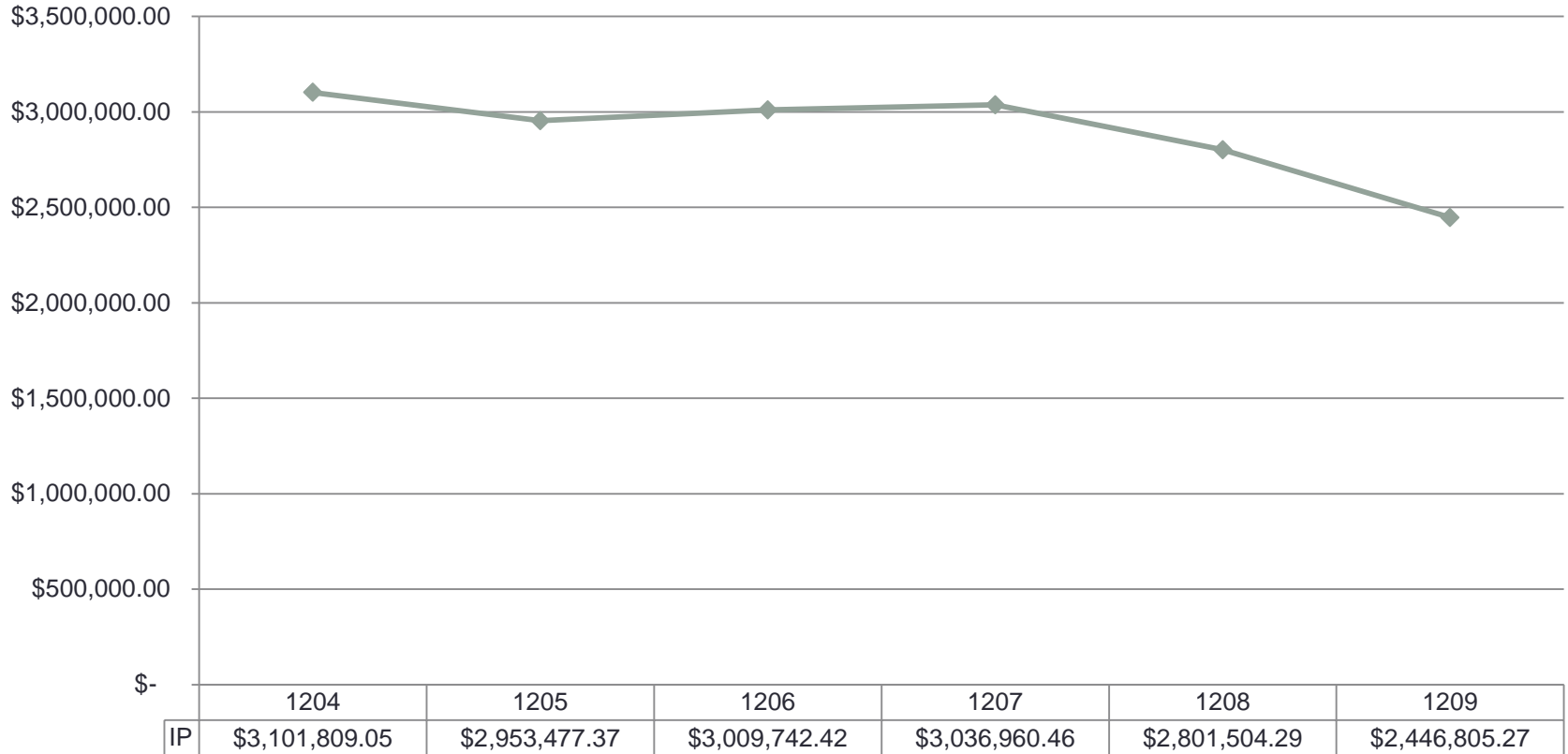


# Usage Trends – IP Relay

Blue – Compensation

Red – Minutes

IP

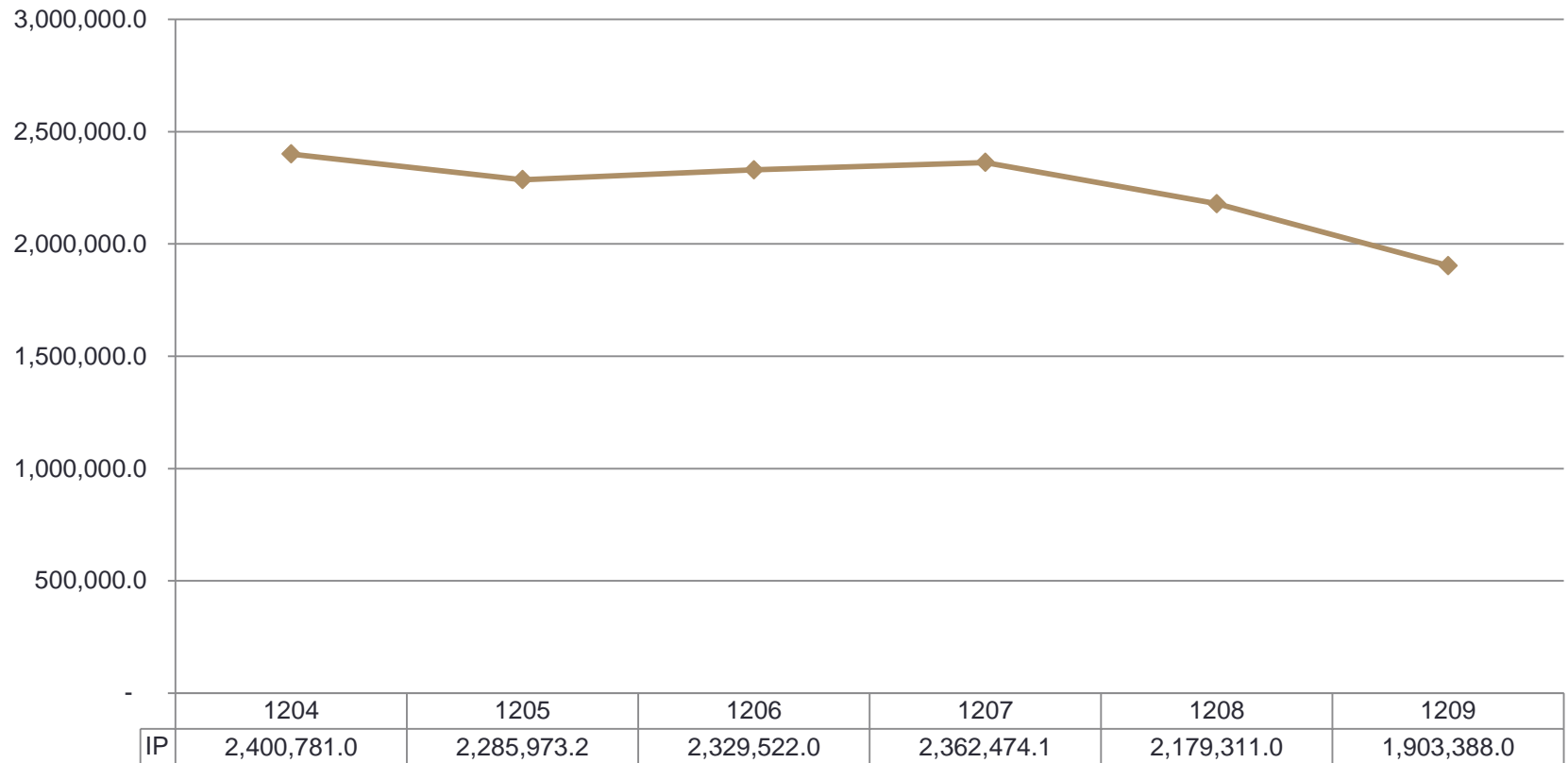


# Usage Trends – IP Relay

Blue – Compensation

Red – Minutes

## IP

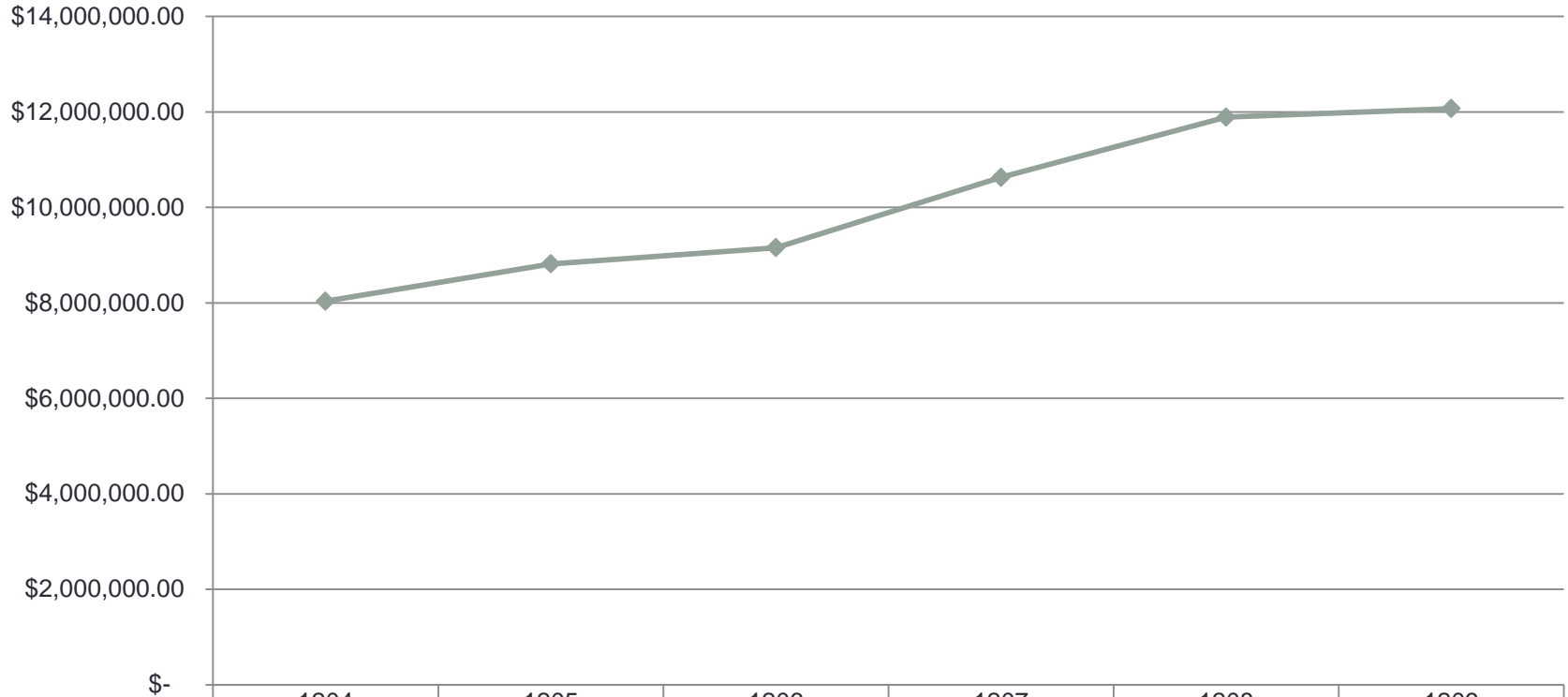


# Usage Trends – IP CTS

Blue – Compensation

Red – Minutes

## IPCTS



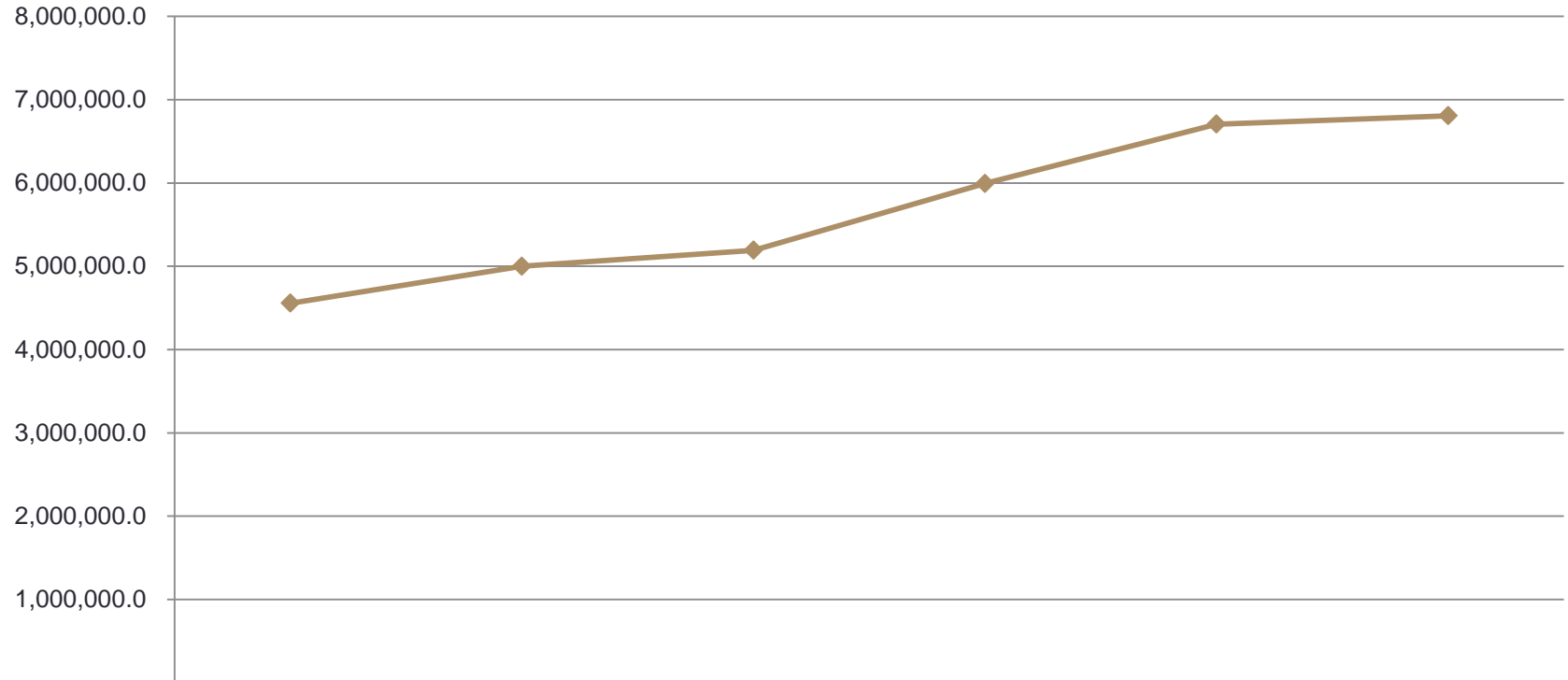
	1204	1205	1206	1207	1208	1209
IPCTS	\$8,035,468.75	\$8,816,253.67	\$9,154,782.64	\$10,627,015.56	\$11,888,616.75	\$12,069,769.31

# Usage Trends – IP CTS

Blue – Compensation

Red – Minutes

## IPCTS



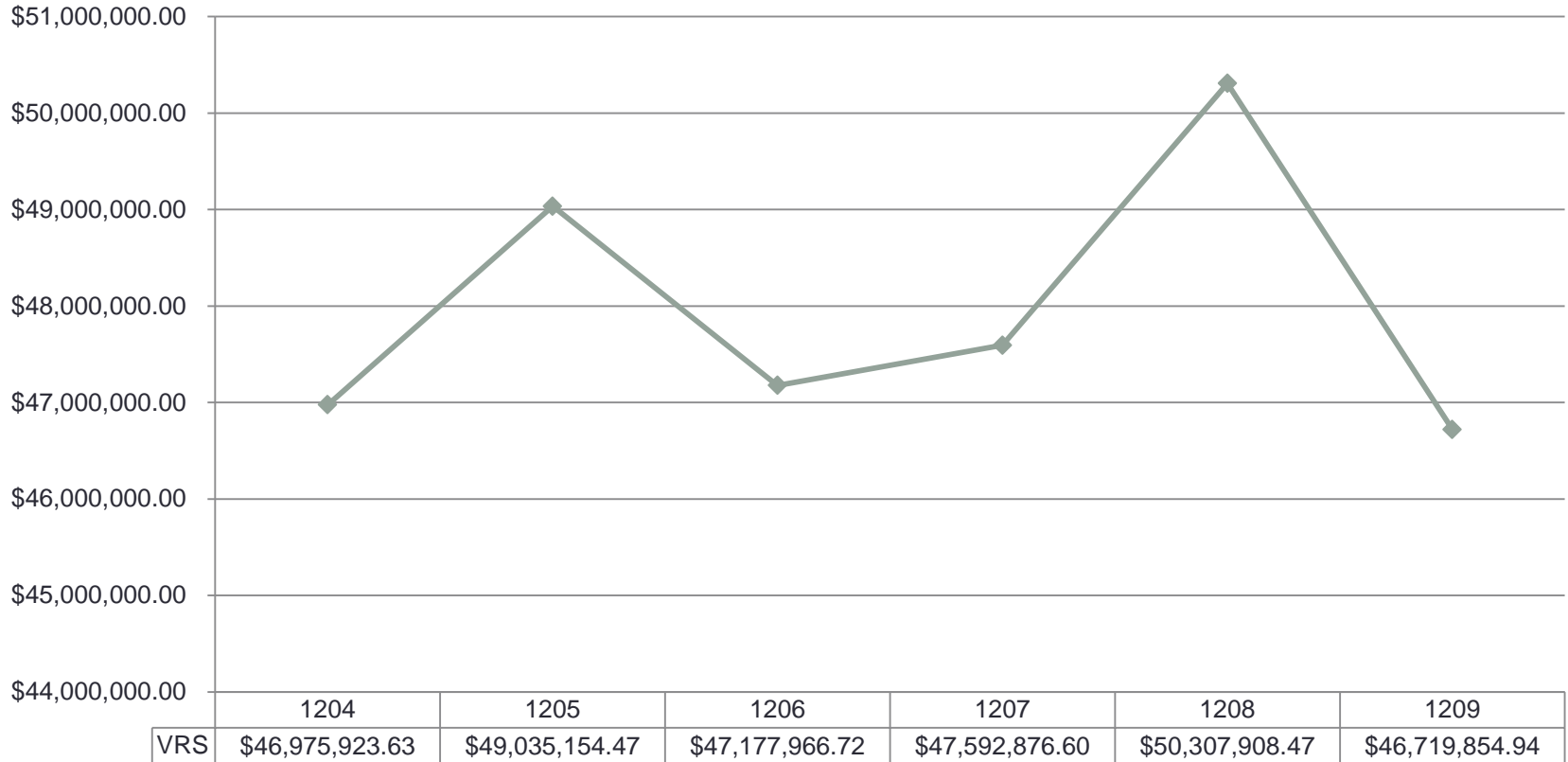
	1204	1205	1206	1207	1208	1209
IPCTS	4,557,838.2	5,000,711.1	5,192,729.8	5,993,804.6	6,705,367.6	6,807,540.5

# Usage Trends – VRS

Blue – Compensation

Red – Minutes

## VRS

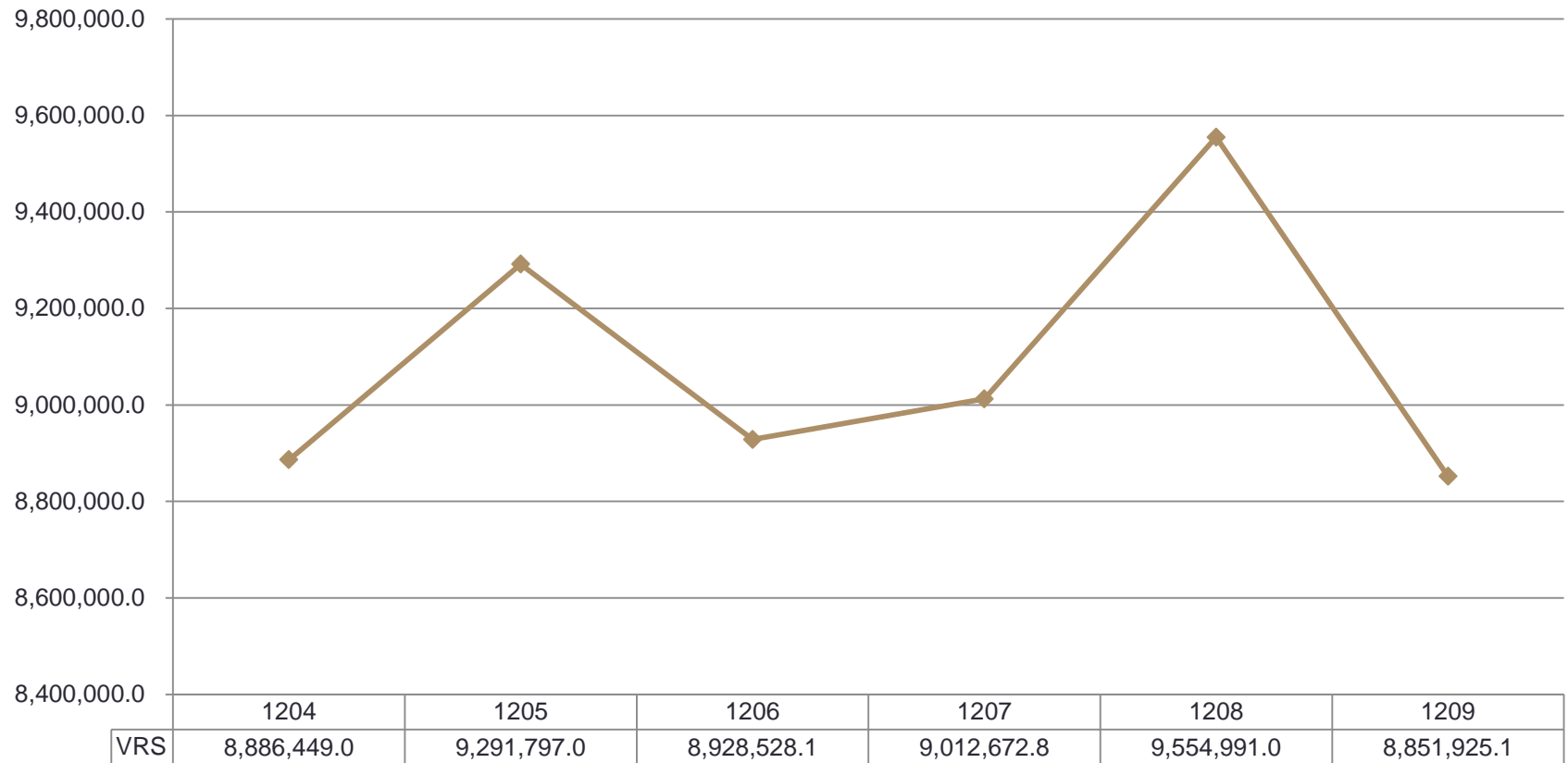


# Usage Trends – VRS

Blue – Compensation

Red – Minutes

## VRS



# Thank You

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