

2014-2015

TRS Fall Meeting Presentation

September 2014

By Rolka Loubé Associates,
TRS Fund Administrator

Report Topics

1. Selected FCC Orders:
2. Annual Data Collection:
3. Current Fund Health:
4. Audit Activity:
5. Q & A

1) Selected FCC Orders

- FCC 14-116 the Joint Board to make a recommendation regarding the USF contribution base to the FCC by April 7, 2015. (Rel. 8-7-2014)
 - Examine the record of 2012 FNPRM on who should contribute, how contributions should be assessed, how to make the system more transparent and fair.
 - Focus on the role of states in accomplishing universal service objectives and protecting consumers
 - How to further the goals of improving efficiency, fairness and sustainability of the contribution system.
- DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)
 - The Rates are below:
 - TRS \$2.1170 / minute
 - STS \$3.2480 / minute (includes \$1.1310 for outreach per minute)
 - CTS \$1.8205
 - IP CTS \$1.8205
 - IP Relay \$1.0309 #
 - VRS

	July-Dec	Jan-Jun
◦ 0-500,000	\$5.52	\$5.29
◦ 500,000.1 – 1,000,000	\$4.82	\$4.82
◦ 1,000,000.1 +	\$4.44	\$4.25

DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)

- MARS calculation excluded Maine, Virginia and US Virgin Islands because they are flat rate states. Hamilton objected that they had been previously included, but FCC found that the rate without that data was fair and reasonable.
- FCC is considering a revised IP CTS methodology and the rate may change during the year.
- IP Relay rate was reconsidered retroactively through last program year. The rate for last year was increased for July & August from \$1.0391 to \$1.0607 per minute. From September through the end of the program year the rate was set at \$0.0298 less for outreach such that it became \$1.0309.
- There has been no sustained increase in traffic handled by the two remaining providers as a result of the exit of the other IP Relay providers.

DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)

- The efficiency/inflation offset was reset to zero for the current price cap period – I.e. the rate was frozen at \$1.0309 for this year and presumably next year absent further direction from the FCC.
- The VRS schedule of rates and tiers was set by the Commission and not adjusted by CGB.
- NDBEDP funding set at \$10,000,000
- TRS Numbering Directory Administration \$415,000
- TRS Fund Administrator \$1,240,100
- Revenue Data Collection Agent \$60,000
- Advisory Council expenses \$45,000
- Investment management expenses \$215,000

DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)

- Service Provider Audit expenses \$2,000,000
- OMB Circular A-123 (IPERA) expenses \$100,000
- Bankruptcy representation expenses \$50,000
- Independent TRS Fund audit expense \$60,000
- Federal Agency TRS market research agreement expense \$3,000,000
- Pilot iTRS Outreach pilot \$2,000,000
- VRS reform contracts for platform/TRS Registration database/access reference platform \$15,000,000

DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)

- Increased payment reserve from single month to two months totals \$134,300,000
- The net funding requirement which reflects the prior year end balance is \$793,241,342.
- The contribution base (not identified in the Order) is \$65,075,748,785
- The resulting contribution factor is 0.01219 or 1.219%

DA 14-946 the 2014-2015 Rate Order (Rel. 6-30-2014)

Revenue Base Figures from Data Collection Agent	
Year	Base
2004	\$81,954,191,760.72
2005	\$80,666,621,323.77
2006	\$80,457,972,601.73
2007	\$77,898,078,806.14
2008	\$79,428,092,243.17
2009	\$78,895,806,171.06
2010	\$72,844,997,815.67
2011	\$69,450,220,823.19
2012	\$67,206,226,972.74
2013	\$65,075,748,784.94

DA 14-1128 Comment on a permanent NDBEDP

- Funding for NDBEDP is included in the contribution factor authorized by the Commission.
- Supported CGB retaining responsibility for designating eligible participants.
- Supported reallocation of unspent state allocations.
- Recommended that reporting metrics include the number of eligible people served.
- Consideration should be given to modifying allocations to include consideration of the number of eligible clients served, as well as to the ranges of expenditure per eligible client for such categories as evaluations, equipment, installations and user training.
- When data is available consider establishing safe harbor guidelines as a way to lessen administrative burdens.

DA 14-1128 Comment on a permanent NDBEDP

- Recommended against rollover funding, however if it is allowed, the balance should be pooled and not retained at the entity level.
- Offered data on the number and levels by which administrative claims exceeded the 15% limitation (33 of 53 entities exceeded the limit). Only 19 entities did not exceed their limit.
- Recommended that the rule regarding the classification of administrative expense be clarified or uniformly interpreted.
- Recommended that an enhanced web based application be used and that the ability to use it be a certification evaluation criteria.

DA 14-1128 Comment on a permanent NDBEDP

- The default reimbursement schedule should be monthly not quarterly or semiannually.
- The procedure applicable to distributions and withholdings should be the same as required for TRS Distributions
- Current processing is duplicative and should be streamlined.
- RL anticipates that the determination to designate NDBEDP as a permanent program could transfer the designation of Administrator to the TRS Fund Administrator.

DA 14-1128 Comment on a permanent NDBEDP

- The lack of a provision for access to required audit reports should be addressed.
- There is no provision addressing the timely completion of audits, or the encumbrance of funds for the completion of those audits.
- The TRS Fund audit program could be expanded to incorporate NDBEDP audits in the annual audit plan approved by the FCC.

Recent Court Actions

- Sorenson Communications & CaptionCall v. FCC *re: \$75 equipment & “default off”*
 - United States Court of Appeals for the District of Columbia Circuit No. 13-1122 consolidated with 13-1246.
- Sorenson V. FCC *re: 2013 Rate Order SOA*
 - United States Court of Appeals for the District of Columbia Circuit No. 13-1215

2) Annual Data Collection

- We do not anticipate any changes to the process.
- The instructions and forms will be distributed to each state at year end via email.
- The instructions and forms will be distributed to each Provider at year end via our extranet portal.
- Responses will be due by third week of February 2015.

3) Current Fund Health

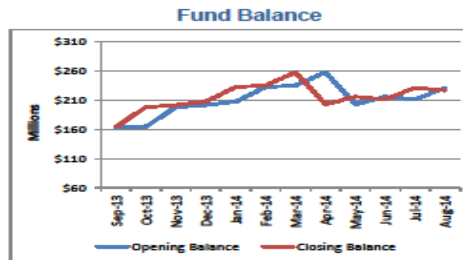
- <http://www.r-l-s-a.com/TRS/reports.htm>

Interstate TRS Fund Performance Status Report

Prepared by Rolka Loube Sektor Associates

Report Month: August 2014

	Actual
Opening Balance	\$ 231,424,054
Receipts	
Receipts from Carriers	\$ 65,570,749
Interest Received	\$ 3,249
Miscellaneous	\$ -
Total Receipts	\$ 65,573,997 +\$ 65,573,997
Disbursements	
NOBEDP	\$ 1,330,389
Total Disbursements	-\$ 70,152,671
Closing Balance	\$ 226,845,379

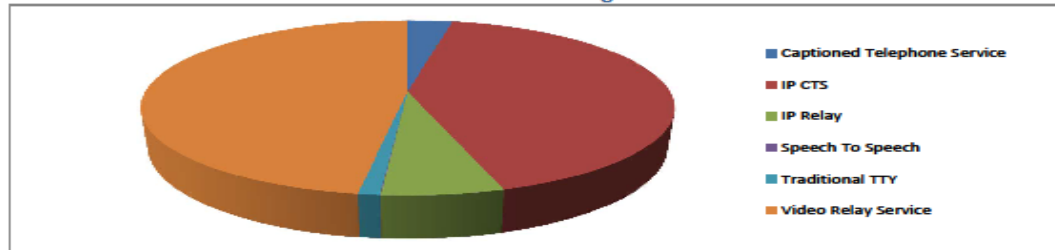


Projected vs. Paid for Calls in August 2014

Category	CTS	IP CTS	IP Relay	STS	TTY	All VRS	Total
Projected Minutes	843,854	18,019,671	1,707,553	14,590	215,117	10,188,551	
Rate Per Minute	\$ 1,7877	\$ 1,7877	\$ 1,0147	\$ 3,2957	\$ 2,1647	Multiple	
Projected Support	\$ 1,508,559	\$ 32,213,765	\$ 1,732,654	\$ 48,085	\$ 465,664	\$ 48,984,282	\$ 84,953,007
Total Support Paid*	\$ 1,249,402	\$ 16,040,748			\$ 517,717	\$ 49,291,699	
Diff. Projected vs. Paid	\$ (259,156)	\$ (16,173,018)			\$ 52,053	\$ 307,417	
% Difference	-17.2%	-50.2%			11.2%	0.6%	
# of Providers Paid During Month	3 (AT&T, Hamilton, Sprint)	5 (Hamilton, Miracom, Purple, Sorenson, Sprint)			3 (AT&T, Hamilton, Sprint)	6 (ASL, CAAG, Comvo, CSOVRB, Purple, Sorenson)	

* May include support for minutes of services during past periods

Total Minutes Paid in August 2014

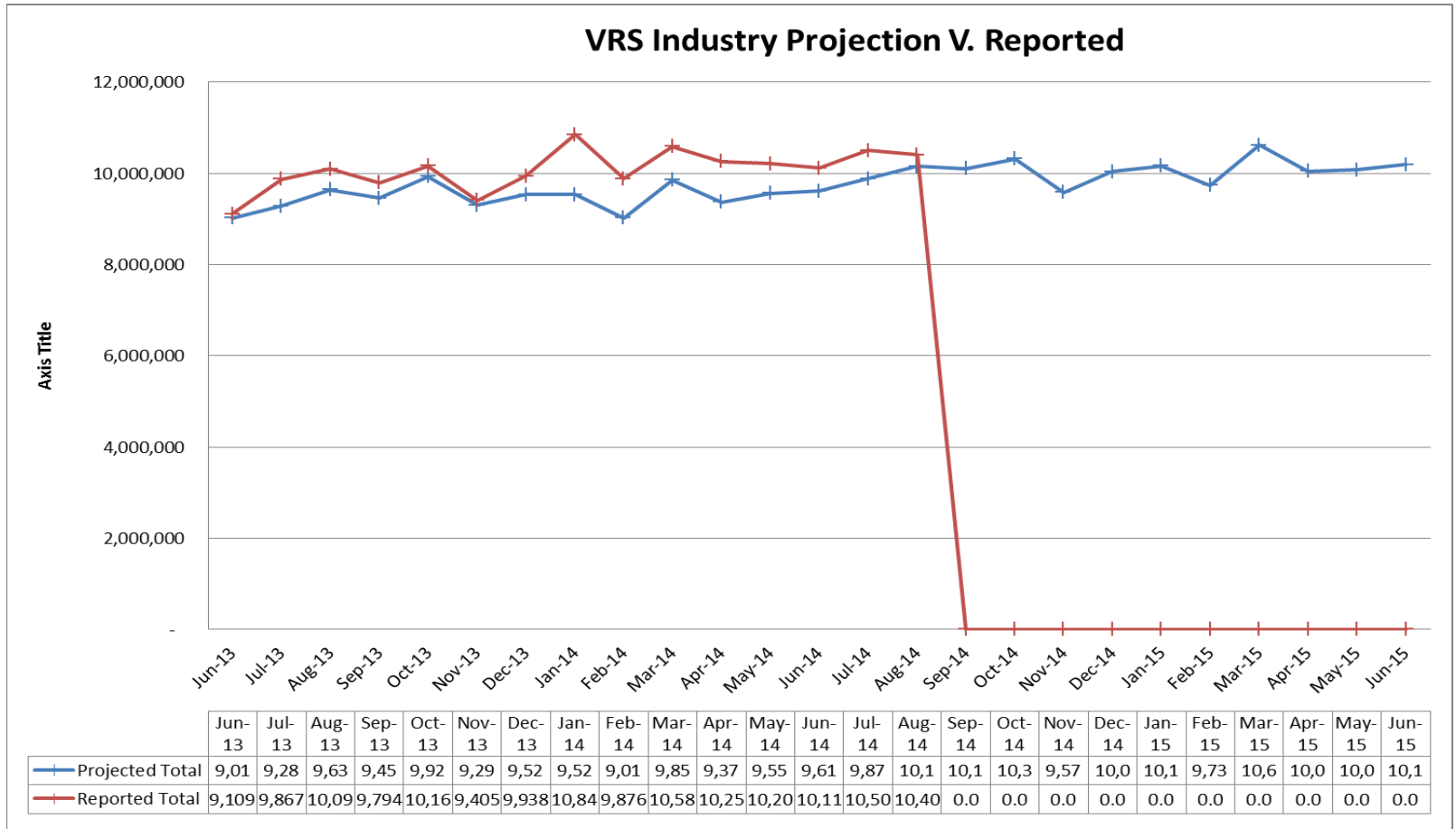


- Current Fund Performance Reports can be found on the RolkaLoube website

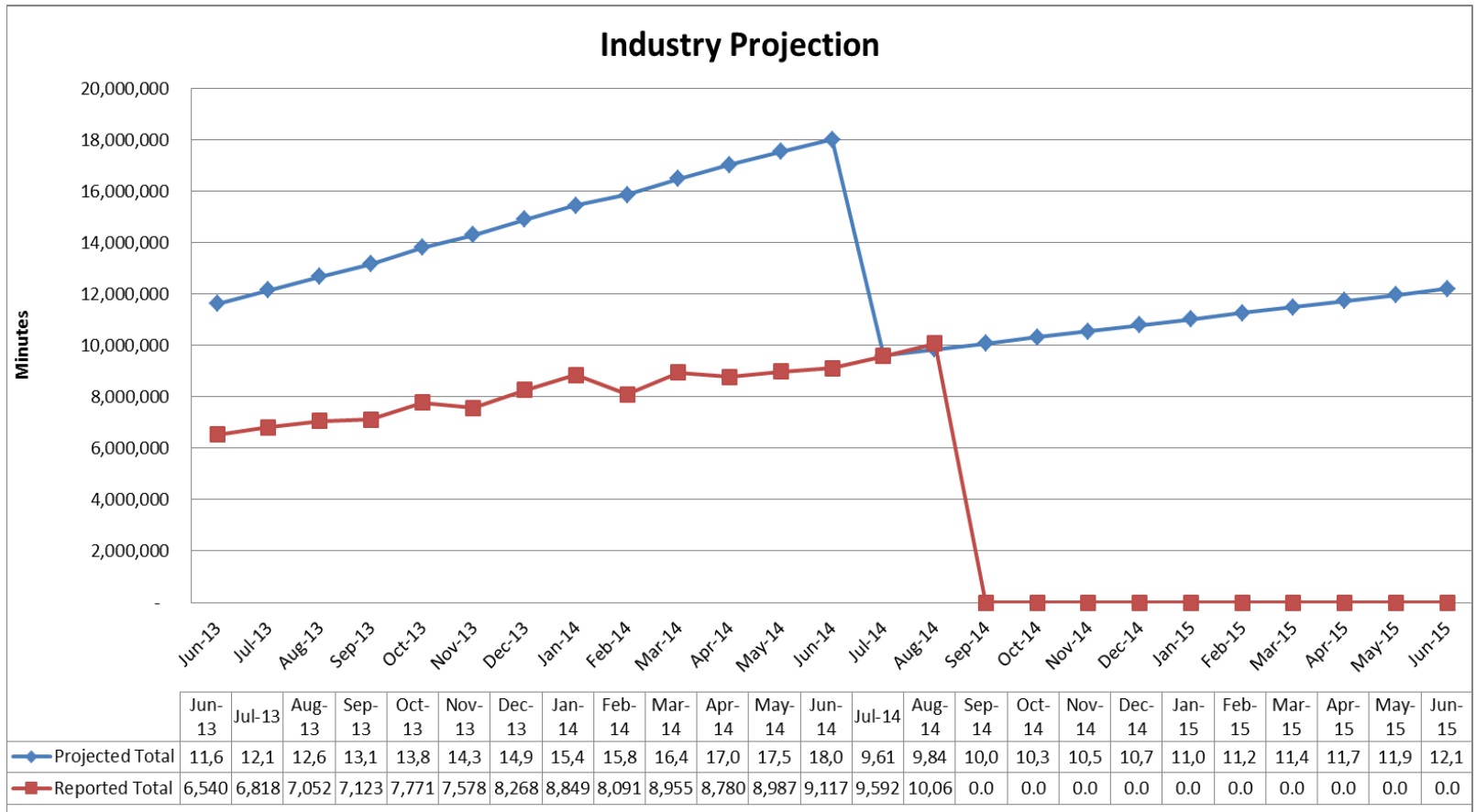
A COMPARATIVE VIEW THE PROJECTED V. ACTUAL BUDGET

TRS Fund	PROJECTION July 2014 - June 2015												Year End TOTAL
	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	
PRIOR BALANCE	\$211,713,951.87	\$207,845,463.12	\$203,187,434.21	\$199,592,985.73	\$194,366,419.89	\$188,886,595.98	\$182,091,792.38	\$178,148,481.20	\$171,786,737.64	\$166,147,098.53	\$161,863,413.53	\$153,571,850.13	\$153,571,850.13
CONTRIBUTIONS RECEIVABLES													
PAYMENTS	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$66,103,445.17	\$793,241,342.00
REFUNDS	(\$69,986,683.91)	(\$70,776,224.08)	(\$69,712,643.64)	(\$71,344,761.01)	(\$71,598,019.07)	(\$72,912,998.77)	(\$70,061,506.35)	(\$72,479,938.73)	(\$71,757,834.28)	(\$70,401,880.16)	(\$74,409,758.57)	(\$72,396,992.30)	(\$857,839,240.87)
INTEREST INCOME	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
BALANCE	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$14,750.00	\$177,000.00
BALANCE	\$207,845,463.12	\$203,187,434.21	\$199,592,985.73	\$194,366,419.89	\$188,886,595.98	\$182,091,792.38	\$178,148,481.20	\$171,786,737.64	\$166,147,098.53	\$161,863,413.53	\$153,571,850.13	\$147,293,053.00	\$89,150,951.26
PRIOR BALANCE	\$211,713,951.87	\$231,424,053.68	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34
CONTRIBUTIONS RECEIVABLES	\$88,737,135.35	\$66,569,533.49											
PAYMENTS	(\$69,030,075.45)	(\$70,152,671.37)											
REFUNDS	\$0.00	\$1,215.02											
INTEREST INCOME	\$3,041.91	\$3,248.52											
BALANCE	\$231,424,053.68	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34	\$227,845,379.34
cumulative Accrual for VRS Withheld minutes	\$1,455.41	\$359,015.79											(\$10,761,646.08)
Cumulative Accrual for IP withheld minutes	\$222,762.39	(\$38.97)											(\$6,172,002.59)
Accrual for NDBEDP	(\$1,888,241.55)	(\$594,508.54)											(\$3,407,111.14)
Accruals for IP CTS	(\$252,508.51)	(\$257,776.14)											(\$5,615,487.13)
Revenue variance	\$22,633,690.18	\$466,088.32	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17	-\$66,103,445.17
Expense variance	\$956,608.46	\$623,552.71	\$69,712,643.64	\$71,344,761.01	\$71,598,019.07	\$72,912,998.77	\$70,061,506.35	\$72,479,938.73	\$71,757,834.28	\$70,401,880.16	\$74,409,758.57	\$72,396,992.30	\$72,396,992.30
Balance variance	\$23,578,590.56	\$24,657,945.13	\$28,252,393.61	\$33,478,959.45	\$38,958,783.36	\$45,753,586.96	\$49,696,898.14	\$56,058,641.70	\$61,698,280.81	\$65,981,965.81	\$74,273,529.21	\$80,552,326.34	\$80,552,326.34

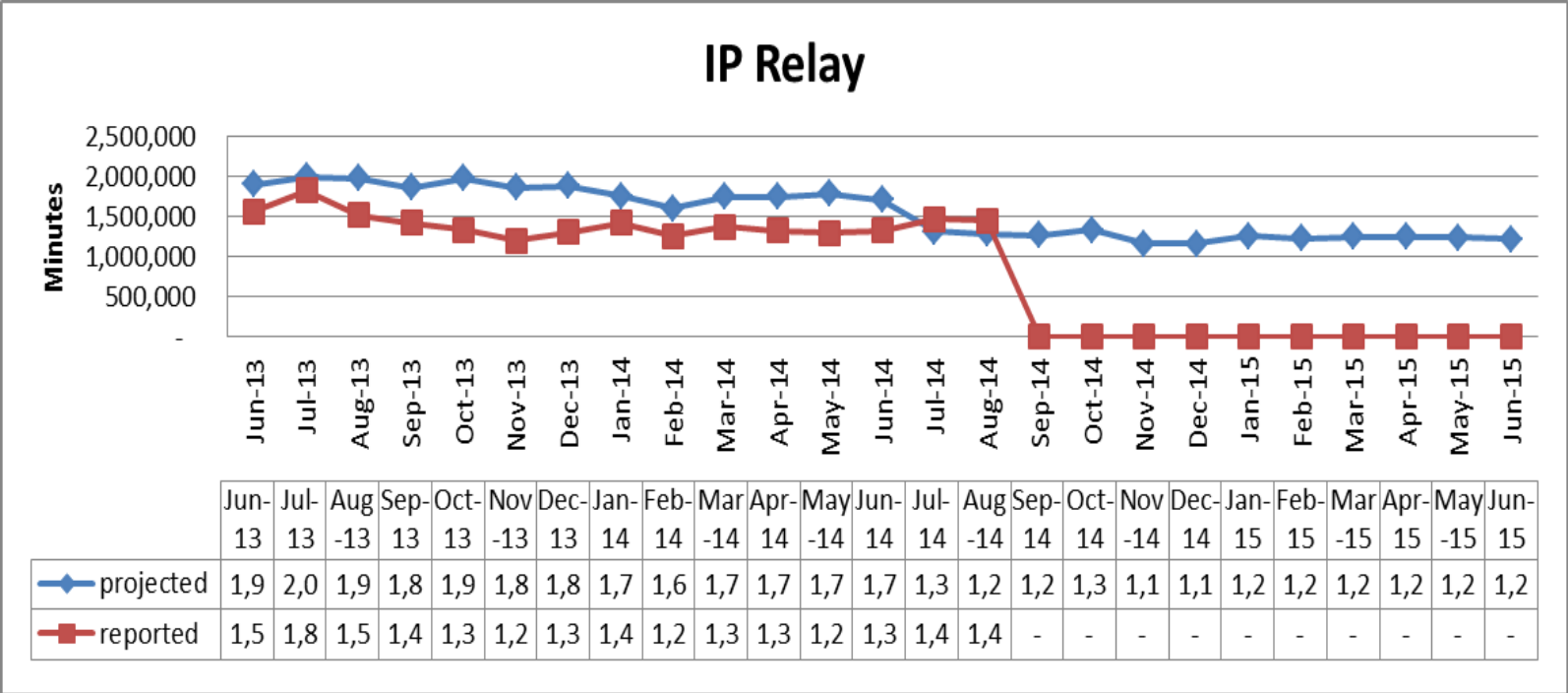
VRS DEMAND



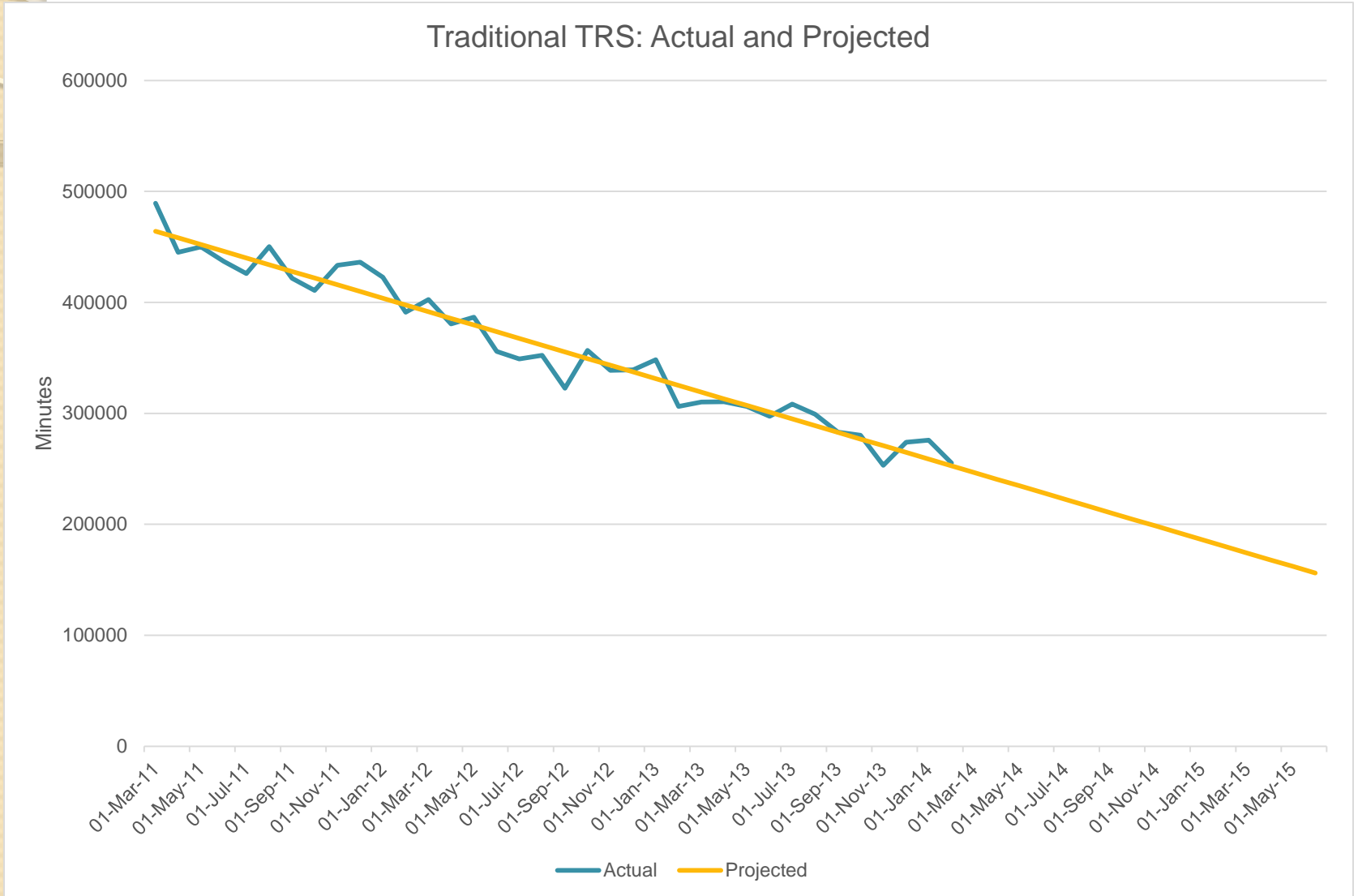
IP CTS DEMAND



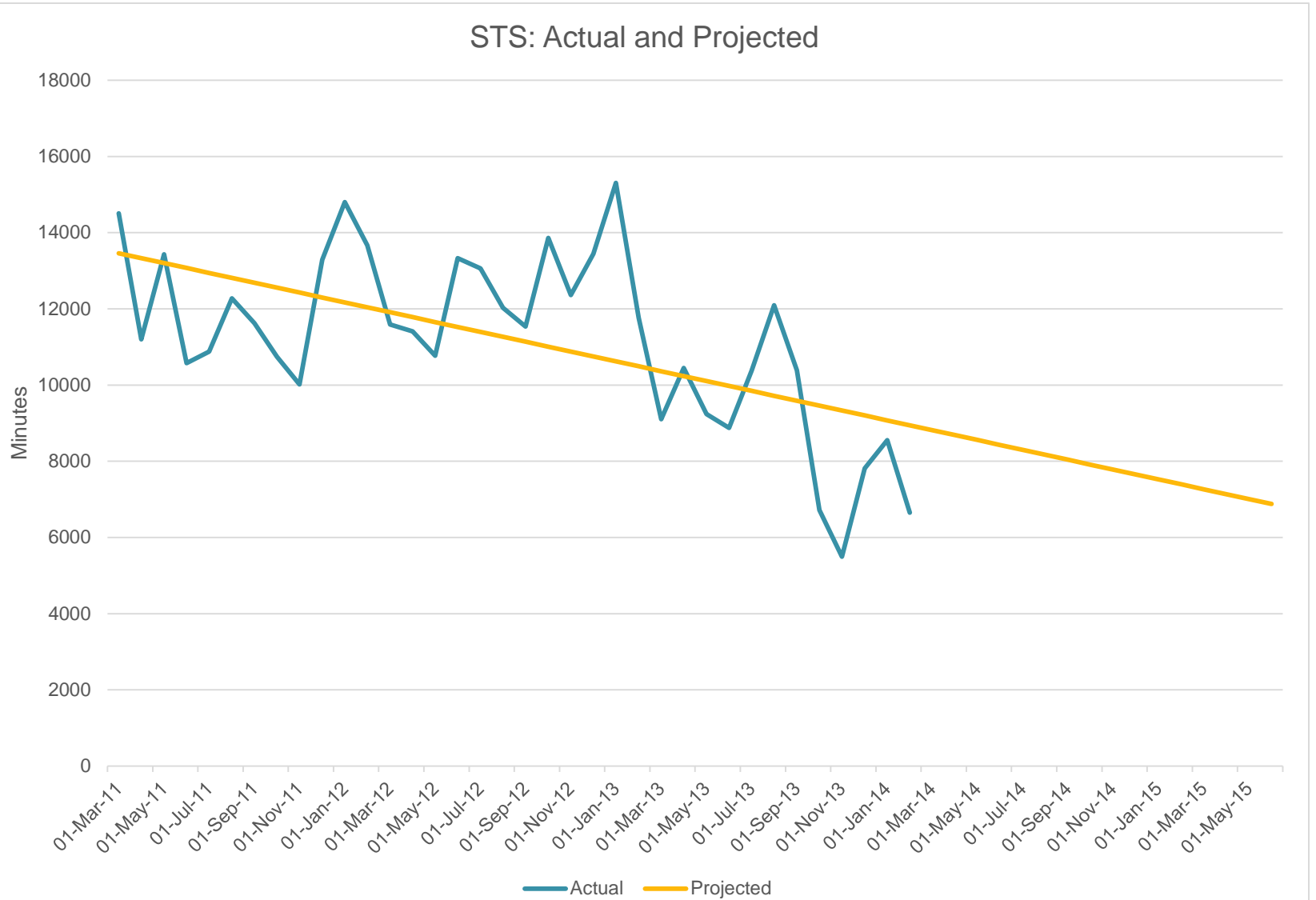
IP RELAY DEMAND



Traditional TRS

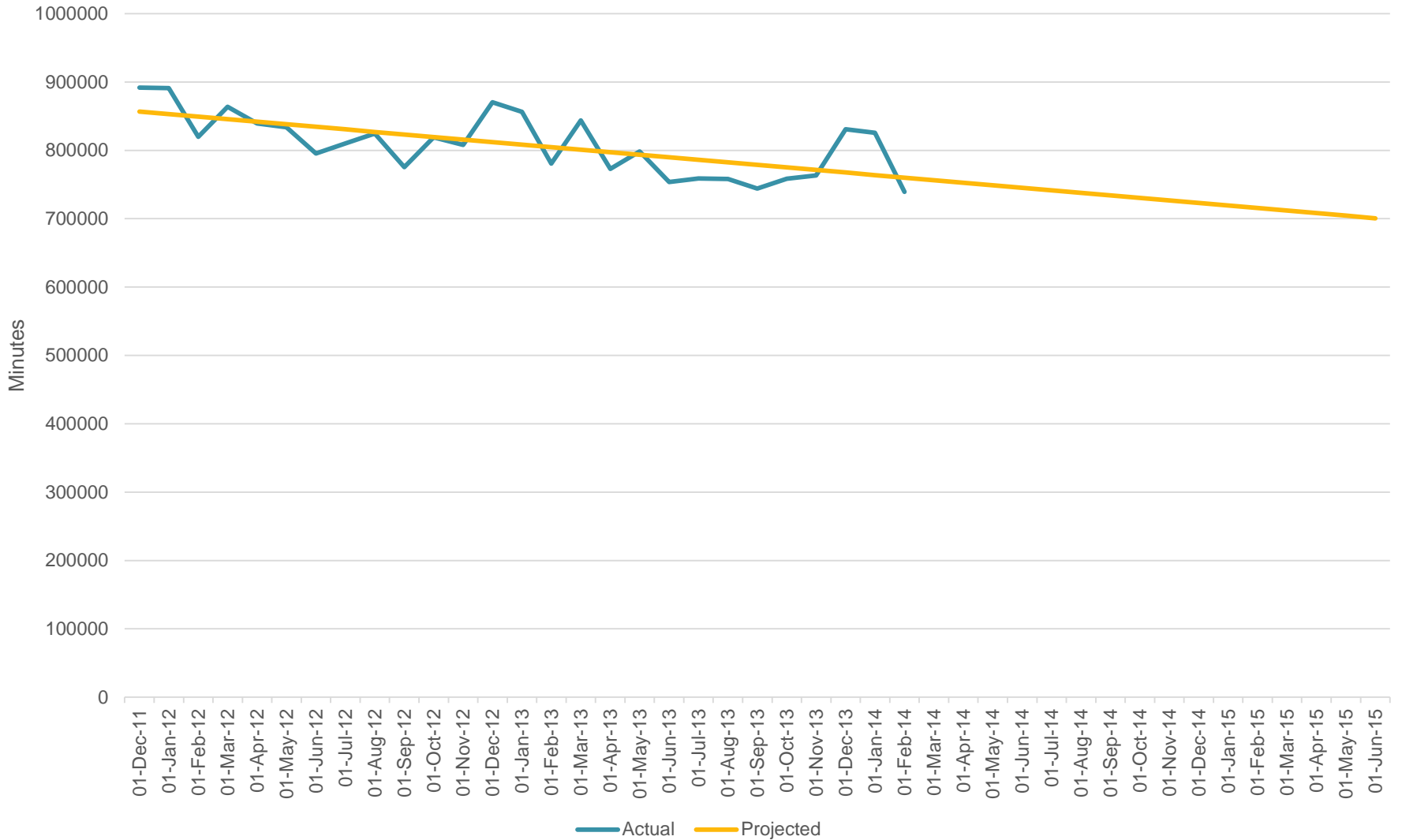


STS



CTS

CTS: Actual and Projected



4) Audit Activity

- The Administrator of the (TRS) Telecommunications Relay Service Fund, is expected to prepare an annual audit plan for TRS Providers by March 31st of each year.
- The audit plan will be for the program year of July 1 through June 30 with consideration of the activities needed for the FCC fiscal year-end of September 30.

Last year

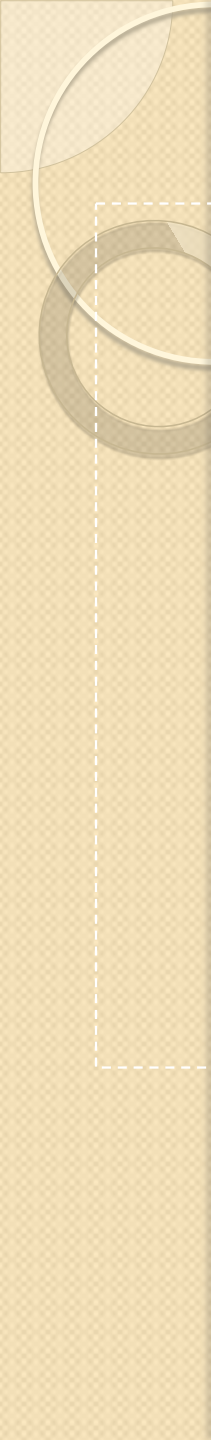
- With respect to last year's audit program approved by the FCC:
- Four firms were engaged by Rolka Loube Saltzer Associates (RLSA), to conduct a performance audit to test compliance with certain applicable requirements in FCC rules and related orders under Title 47 C.F.R. Part 64.604, as amended, and 64.611.
- RL recently received approval from the FCC to distribute the final audit reports for the period of operations July 1, 2012 – April 30, 2014.
- Each service provider has been directed to respond to each of the recommendations. The audit reports have not been publicly released and are only available to the respective companies at this time.

- Specifically, our performance audit objectives were to:
- a. Gain an understanding of the processes and procedures involved in the generation of Call Data Records (CDR) and in the registration of TRS users.
- b. Review and document the development (recording, compiling, reviewing, and reporting) of TRS minutes that were reported to RLSA
- c. Determine how calls are handled by each provider and how conversational and session minutes are tracked
- d. Verify the accuracy and integrity of information on CDRs
- e. Perform a follow-up review of each provider's 2012 performance audit report findings performed for RLSA
- f. Review each provider's compliance with the FCC order 11-54 related to the senior official certification's requirements.

Following is an overview of the results of those audits:

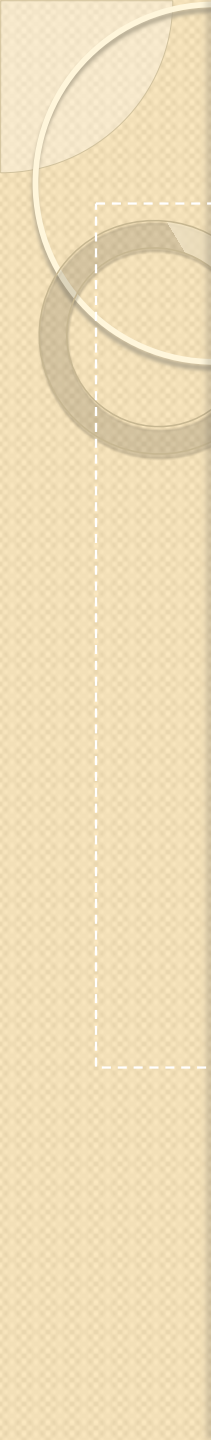
<u>Service Provider</u>	<u>Finding</u>	<u>Observation</u>	<u>Total Findings/Observations</u>	<u>Auditing Firm</u>
AT&T		2	2	Williams Adley
CAAG		2	2	Parente Beard
CONVO		2	2	Parente Beard
CSDVRS	2	2	4	Williams Adley
GLOBALVRS		3	3	ParenteBeard
Hamilton	1	4	5	McKonly & Asbury
Purple		2	2	McKonly & Asbury
Sorenson	1	3	4	Clifton Larson Allen
Sprint	4	5	9	Clifton Larson Allen
Total:	8	25	33	

- The current year audit plan approved by the FCC focuses on user registrations, and is being conducted by RL staff, without third party firm involvement.
- As detailed in Title 47 C.F.R. Subpart F, there are a number of requirements for TRS Providers concerning the registration of their subscribers. Some of these requirements include:
 - Certifying the eligibility of VRS and IP Relay users
 - Collecting and transmitting confidential subscriber information to the TRS User Registration Database
 - Validation of user eligibility against the TRS User Registration Database prior to seeking compensation for said user
 - Verification of change orders of default TRS Provider
 - See 47 C.F.R. Subpart F § 64.611(a)(3)
 - See 47 C.F.R. Subpart F § 64.611(a)(4)
 - See 47 C.F.R. Subpart F § 64.615(a)(5)
 - See 47 C.F.R. Subpart F § 64.631 and 64.633
 - See FCC 13-118 III (C)

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- For the program year 2014-2015, RL will perform a review of subscriber registrations for each of the TRS providers, including documenting and reviewing all registration processes and associated databases; identifying any verification processes that currently exist. The scope will include providers that serve subscribers of VRS, IP Relay and IP CTS.
 - As with the previous annual audits, RL will additionally follow up on any findings from the prior program year's TRS Providers Audit report and will report upon their remediation.


Forms & Instructions

- We are currently in the process of updating the instructions and forms used by service providers, relied on for processing requests for reimbursement from the TRS Fund.
- This exercise began several months ago and has involved the participation of all of the service providers. On September 17, 2014 we hosted a meeting of the providers to review the latest drafts with the expectation that they will be finalized by or near the end of this month.
- If completed on schedule, the forms and instructions will allow approximately three months to implement any necessary reporting changes and be in use when submitting reimbursement requests for service offered in January 2015.


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- This activity is being conducted to address inconsistencies among the providers regarding the interpretation of the current instructions, and use of the forms, as well as addressing various changes to FCC rules and interpretations.
 - Thank you for your attention.
 - Questions?

FCC Orders related to TRS Fund Administration since fall of 2012

FCC 12-10	Toll conferencing & audio bridging contributions
FCC 12-134	Reseller contributions
FCC 12-139	Sorenson on iTRS mapping of numbers
FCC 13-13	Interim IP CTS Order & NPRM (interim steps released 1/25/2013) [Fed Reg. 2/5/2013 published proposed Rules: comment on data collection Fed Reg. 2/4/2013: Final Rule Fed Reg. 2/5/2013: Interim Rule Fed Reg. 2/5/2013]
FCC 13-82	VRS Reform Order
FCC 13-101	STS amending minimum standards and proposing new rules
FCC 13-118	IP CTS 2 nd interim Order – (12 month graph of demand through August) see fn 11 at page 4!
DA 12-1317	VRS Subcontracting waiver denied
DA 12-1318	Healinc Appeal Denied





DA 12-1505	CSDVRS Conditional certification extension
DA 12-1644	VRS PN additional comments requested
DA 12-1844	CSDVRS Consent Order
DA 12-1886	CSDVRS full certification
DA 13-259	Healinc (letter affirming decision to withhold payment and making it permanent, 2/21/2013)
DA 13-260	Healinc (Order denying certification)
DA 13-594	AT&T Final Consent Decree (between AT&T and FCC Enforcement Bureau 5/9/2013)
DA 13-1017	Invitation to apply for NDBEDP certification (5/8/2013)
DA 13-1045	IP CTS Waiver petitions Order (limited waivers of 'captions off' interim IP CTS Order, applicable to Hamilton, Sprint & Purple, Caption Call denied)
DA 13-1068	Sorenson Consent Decree (between Sorenson and Enforcement Bureau 5/28/2013)

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- DA 13-1483 2013-14 Rate Order and contribution factor
 - DA 13-1488 NDBEDP allocations for 2013-2014
 - DA 13-1489 further extending certain waivers largely due to no change in providers ability to comply 7/1/2013
 - DA 13-1704 Purple SOA Waiver of SOA due to Sorenson ceasing IP Relay service 8/1-8/12/2013
 - DA 13-1705 Sprint SOA Waiver due to Sorenson ceasing IP Relay service 8/1-8/12/2013
 - DA 13-1753 Purple limited waiver extended with limitations through 10/31/2013
 - DA 13-1814 Purple petition for IP CTS rule change with respect to web & wireless applications


FCC Orders related to TRS Fund Administration since fall of 2013

DA 13-2190	Comments requested on Sprint request to reconsider IP CTS \$75 / Registration & Certification / text of labels
DA 13-2191	Comments requested on AT&T petition regarding muting STS
DA 13-2258	Sprint petition for recon of IP Relay rate
DA 13-2300	IP CTS PII is confidential information
DA 13-2345	Purple SOA waiver
DA 13-2432	NDBEDP certified Mississippi
DA 14-117	FCC & NIA to host 2/18/2014 workshop on IP technology
DA 14-173	FCC & NIA to host 2/18/2014 workshop on IP technology
DA 14-176	Purple IP CTS cert extended to 5/12/2014
DA 14-251	IP CTS post partial stay clarification

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- DA 14-334 Sprint appeal of SOA determination by TRS Administrator for 1-2012 – 9/2012
 - DA 14-410 certain April 2014 reporting waivers granted
 - DA 14-524 Invitation for NDBEDP for VT and for NE
 - DA 14-554 Sorenson conditional certification emerging from bankruptcy
 - DA 14-564 911 guest user rule exception waived for IP Relay for a year
 - FCC 14-57 Purple NAL re: reasonable measures to verify user registrations
 - DA 14-627 PN for 2014-2015 budget
 - DA 14-634 Purple IP CTS cert extended to 8/10/2014
 - DA 14-644 Miracom conditional cert for IP CTS
 - DA 14-831 Reminder Annual Summary of Consumer Complaints due 7-1-2014



DA 14-878	VRS SOA implementation is delayed from 7/1/2014 to 1/1/2015
DA 14-935	Sprint & Hamilton labelling waivers granted
DA 14-939	mandatory standards waivers extended pending rulemaking, CPE portability waiver expires 7-1-2015
DA 14-946	2014-2015 Rate Order
DA 14-947	NDBEDP 2014-2015 allocations
DA 14-964	NDBEDP Iowa replacement sought
DA 14-1010	NDBEDP Indiana & Minnesota certified
DA 14-1128	Pleading Cycle announced for a permanent NDBEDP
DA 14-1127	IP CTS Rules clarification
FCC 14-116	referral to Joint Board for contribution base recommendation by 4-7-2015

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- DA 14-1154 Purple IP CTS certification extended to 11-8-2014
 - FCC 14-125 TRS Functional standards revised
 - DA 14-1249 Sprint access to TRS numbering database for federal relay service
 - FCC 14-135 PTT failure to register and contribute Forfeiture