

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: MARCH 20, 2009

RE: 2008 TELECOMMUNICATIONS RELAY SERVICE ANNUAL REPORT;
CASE NO. GNR-T-09-1.

BACKGROUND

Title IV of the Americans with Disabilities Act requires all states to provide a Telecommunications Relay Service (TRS or “relay”) program that allows citizens who are hearing or speech-impaired to engage in telephone communications “in a manner functionally equivalent to that of individuals without hearing or speech impairments.” This requirement is codified in *Idaho Code* § 61-1301. Under the Idaho TRS Act, all telephone corporations providing local or long-distance service (not including cellular or VoIP) pay into the TRS Fund to defray the costs of providing TRS services. *Idaho Code* § 61-1305. Pursuant to TRS Rule 202, the Commission sets the TRS funding levels each year based upon the Administrator’s Annual Report. IDAPA 31.46.02.202.

THE 2008 ANNUAL REPORT

On January 29, 2009, the TRS Administrator, Mr. Robert Dunbar, submitted the 2008 TRS Annual Report and the 2009 TRS Budget for Commission approval. Mr. Dunbar reported the 2008 relay service conversation time, including interstate long distance, totaled 137,253 minutes. This represents a 28% decrease from calendar year 2007. Likewise, disbursements of \$231,918 to the TRS service provider, Hamilton Telecommunications, for in-state relay calls were approximately 7.5% less than 2007. Idaho’s TRS fund reimburses Hamilton Telecommunications for processing in-state traditional relay and

captioned telephone (CapTel)¹ calls, while the National Exchange Carrier Association (NECA) reimburses Hamilton for the processing of out-of-state relay as well as intrastate Internet relay (IR) and Internet video relay service (VRS) calls.

Mr. Dunbar reported that traditional relay usage decreased in 2008 while the CapTel usage increased by 42%. CapTel calls comprise 47% of the total TRS billed minutes. The increase in the more expensive CapTel billed minutes largely offset the 28% decrease in total relay use.

2008 TRS REVENUE AND EXPENSES

The TRS fund is supported by assessments on local telephone service (residential and business access lines) and billed intrastate long distance (MTS/WATS or "toll") minutes. In 2008, the total number of intrastate toll minutes reported by the telephone companies was approximately 325,781,100, and the average number of local telephone lines reported per month was 585,958. The 2008 annual contribution to the TRS fund totaled \$209,367, a decrease of \$79,806 (27.6%) from 2007. Local access lines contributed \$140,630 (67%) and MTS/WATS services contributed \$68,737 (33%) to the TRS revenue. In Order No. 30531, issued on April 16, 2008, the line rate remained unchanged from the previous year at \$0.02 and the intrastate per minute toll rate remained unchanged at \$0.0002. The TRS administrative fees and expenses for 2008 were \$42,099, and the end-of-year balance of the TRS fund was \$405,115. The comparison of the 2008 disbursements and contributions from the previous year are as follows:

<u>TRS Fund Disbursements</u>	<u>2008</u>	<u>2007</u>
Hamilton Telecommunications	\$231,979	\$250,755
Program Administrative Expenses & Fees	<u>42,099</u>	<u>42,157</u>
Total	\$274,078	\$292,912
<u>TRS Revenue Contributions</u>	<u>2008</u>	<u>2007</u>
Local access service providers	\$140,630	\$199,922
MTS/WATS providers	68,737	89,251
Interest earned on funds	<u>39</u>	<u>63</u>
Total	\$209,406	\$289,236

¹ CapTel allows hard-of-hearing users to hear the conversation as well as read the words on the phone's built-in screen. A trained operator "re-voices" the conversation from a caller into the voice-recognition technology that converts the words into a text message and provides the CapTel user with a more natural conversation.

2009 TRS BUDGET AND TRENDS

Mr. Dunbar developed the 2009 budget, by assessing the reduced relay usage trend, the reduced revenue associated with decreased number of lines and toll minutes reported by the telephone companies, as well as the possibility of a change in the intrastate Internet service funding (IR and VRS). Mr. Dunbar estimates the 2009 annual operating expenses to be \$272,195. This budget is essentially the same as the 2008 budget. The estimated 2% decrease in payments to Hamilton in 2009 is offset by the 2009 payment for an audit conducted during the fourth quarter of 2008. The Administrator forecasts a flattening out of the combined traditional and CapTel usage. In addition, Mr. Dunbar anticipates a 10% decrease in revenues in 2009 from both the number of lines and billed toll minutes as seen in calendar year 2008.

Mr. Dunbar also reported that Idaho's portion of the intrastate Internet relay funding that is currently paid through NECA, totaled \$1,302,634 for IR and VRS usage from July 2007 through June 2008. This amount is five times more than the current payments to the TRS service provider for traditional and CapTel relay service.

ADMINISTRATOR'S 2009 FUNDING RECOMMENDATION

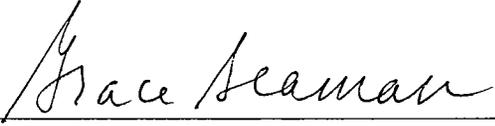
Mr. Dunbar reported that during 2009, the current TRS contribution rate should result in a reduction of the reserve by approximately \$75,000. He, therefore, recommends the rates remain unchanged in 2009. This will preserve a small cushion in the TRS fund should the FCC make any policy changes to the intrastate Internet relay funding (IR and VRS).

STAFF'S RECOMMENDATION

Staff has reviewed the TRS annual report and agrees with the Administrator's recommendation to maintain the current TRS assessment rates. Staff also agrees with the Administrator that the fund reserve allows the Commission adequate time to react to any federally mandated changes that may potentially occur regarding intrastate IR and VRS funding. Staff recommends that the Commission approve both the Administrator's proposal to maintain the current access line and MTS/WATS assessment rates and the Administrator's 2009 budget.

COMMISSION DECISION

1. Does the Commission wish to accept the Administrator's recommendation to maintain the current TRS contribution levels adopted in Order No. 30531?
2. Does the Commission wish to accept the annual report and adopt the Administrator's budget for 2009?



Grace Seaman

i:udmemos/trs report for 2008