

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: APRIL 11, 2012

RE: 2011 TELECOMMUNICATIONS RELAY SERVICE ANNUAL REPORT;
CASE NO. GNR-T-12-01.

BACKGROUND

Each year the Administrator of the Idaho Telecommunications Relay Service (TRS or relay) files a report detailing the activities and status of the program during the previous year. The Administrator also determines the funding requirements for the following year and submits a recommended budget with the annual report.

In 1992, the Idaho Legislature established the Telecommunications Relay Service Act (TRS Act) in accordance with the federal Title IV of the American with Disabilities Act. The TRS enables 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.” *Idaho Code* § 61-1301. Under the Idaho TRS Act, all telephone corporations providing local or long-distance service (not including cellular or VoIP) must provide TRS as set forth in the program and pay into the TRS Fund based upon an allocation methodology adopted by the Commission. *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 Idaho TRS service provider, Hamilton Telecommunications (Hamilton), operates the relay center where oral conversations are converted or “relayed” to text-type and vice versa. The relay center also provides speech-to-speech, Spanish-to-Spanish, video, and Internet relay services.

THE 2011 ANNUAL REPORT

On February 15, 2012, the TRS Administrator submitted the 2011 TRS Annual Report and the 2012 TRS Budget for Commission approval. The Administrator reported that the relay center handled 60,346 minutes of conversation during calendar year 2011 compared to 70,005 minutes in 2010, a 15% decrease. Of the total conversation time, Captioned Telephone service (CapTel)¹ usage was approximately 37,100 minutes, an increase of 11%. During the same period, the number of new CapTel sets increased by 22%. The 2011 disbursements to Hamilton remained about the same at \$141,590 compared to \$142,013 for the previous year. The 2011 average answer time by Hamilton was .7 seconds.

1. 2012 Revenues and Allocations. The TRS fund is supported by assessments on local exchange telephone service (residential and business) and on billed intrastate long distance minutes. In 2011, the total number of intrastate long distance minutes reported by the telephone companies was approximately 289,055,200 compared to 297,208,600 (decrease of 3%) minutes in 2010. The average monthly number of local telephone lines reported for the year was 506,830 compared to 531,190 in 2010 (4.5% decrease). The 2011 annual contribution to the TRS fund was \$173,105, a decrease of \$6,544 (4%) from 2010. The local exchange revenue decreased by 4% and revenue from MTS/WATS decreased by 3%. Contributions from local exchange lines totaled \$115,294 (67%) and MTS/WATS contributions were \$57,812 (33%). The TRS administrative fees and expenses for 2011 were \$42,533. In Commission Order No. 32230, issued on April 21, 2011, the per-line and per-minute assessments were maintained at \$0.02 and \$0.0002, respectively. The comparison of the 2011 contributions from the previous year are as follows:

<u>TRS Revenue Contributions</u>	<u>2011</u>	<u>2010</u>
Local exchange service providers	\$115,294	\$120,207
MTS/WATS providers	57,812	59,442
Interest earned on funds	<u>30</u>	<u>31</u>
Total	\$173,136	\$179,680

2. 2011 Expenses. The TRS fund reimburses the TRS Administrator's expenses and Hamilton for processing in-state traditional relay and CapTel calls. The National Exchange

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.

Carrier Association (NECA) reimburses Hamilton for out-of-state relay as well as intrastate Internet relay (IR) and Internet video relay service (VRS) calls. The TRS expenses for 2011 totaled \$184,124 with an end-of-year fund balance of \$320,406. The comparison of the 2011 disbursements from the previous year are as follows:

<u>TRS Fund Disbursements</u>	<u>2011</u>	<u>2010</u>
Hamilton Telecommunications	\$141,591	\$142,013
Program Administrative Expenses & Fees	<u>42,533</u>	<u>75,442</u>
Total	\$184,124	\$217,455

3. 2011 Audit. An audit of the TRS fund was completed during 2011. A third-party accounting firm audited general purpose financial statements for the years ended on December 31, 2008 through 2010. The audit determined that the accounting and reporting policies of the TRS Fund conform to generally accepted accounting principles applicable to state and local governments.

4. Proposed 2012 Budget. The Administrator believes the decrease in revenue from local exchange lines and long distance billed minutes will continue to decline in 2012. He estimates the decline will be 10-13%. On the expense side, Mr. Dunbar estimates the 2012 annual operating budget to be approximately \$182,300. This reflects the trend of longer relay calls as mobile service texting and other services have replaced much of the short message market. If assessment rates remain unchanged, Mr. Dunbar calculates the end-of-year reserve fund will decrease by approximately \$25,300.

5. Proposed 2012 TRS Funding Levels. Based upon the proposed budget for 2012 and current reserves, the Administrator recommends that the Commission maintain the assessment rates at the current level of \$.02 per local exchange line and \$.0002 per intrastate MTS/WATS billed minute. At the proposed assessment rates, a reasonable cushion will be maintained should any unexpected expenses or changes occur in 2012.

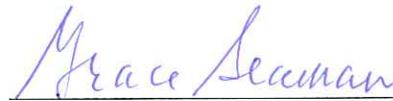
6. FCC Re-certification of the Idaho TRS. During 2012, the Administrator will submit an application for the FCC's 5-year re-certification of Idaho's TRS. This process will ensure that Idaho is meeting all federal requirements for relay systems.

STAFF'S RECOMMENDATION

Staff has reviewed the Administrator's Report and agrees with the Administrator's recommendation to continue the existing TRS assessment rates. Staff recommends that the Commission adopt the Report and the Administrator's projected budget for 2012.

COMMISSION DECISION

1. Does the Commission wish to accept the Administrator's recommendation to maintain the current TRS assessment rates adopted in Order No. 32230?
2. Does the Commission wish to accept the annual report and adopt the Administrator's budget for 2012?



Grace Seaman
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