

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Telecommunications Relay Services and)	CG Docket No. 03-123
Speech-to-Speech Services for)	
Individuals with Hearing and Speech)	
Disabilities)	
)	
Structure and Practices of the Video Relay)	CG Docket No. 10-51
Service Program)	

Interstate Telecommunications Relay Services Fund

Payment Formula and Fund Size Estimate

Rolka Loube Associates LLC
4423 North Front Street
Harrisburg, PA 17110
April 30, 2019

I. Table of Contents

I.	Introduction	- 3 -
II.	Interstate TRS Fund Overview	- 8 -
III.	TRS Rate Development	- 14 -
A.	Traditional TRS and STS Formula Development	- 15 -
B.	CTS Formula Development	- 18 -
C.	IP CTS Formula Development	- 18 -
D.	IP Relay Formula Development	- 23 -
E.	Video Relay Service Formula Development	- 26 -
IV.	Demand Projection Methodology	- 31 -
V.	Additional Funding Requirements	- 33 -
VI.	Contribution Factor Calculation	- 36 -
VII.	Program Administration	- 38 -

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Telecommunications Relay Services and)	CG Docket No. 03-123
Speech-to-Speech Services for)	
Individuals with Hearing and Speech)	
Disabilities)	
)	
Structure and Practices of the Video Relay)	CG Docket No. 10-51
Service Program)	
)	
)	

**Payment Formula and Fund Size Estimate
Interstate Telecommunications Relay Services (TRS) Fund
For July 2019 through June 2020**

I. Introduction

Rolka Loube Associates LLC (RL), as Interstate Telecommunications Relay Services (TRS) Fund Administrator (the Administrator), herein submits proposed compensation rates, demand projections, projected fund size and proposed carrier contribution factor for the period July 2019 through June 2020, in accordance with section 64.604 of the Federal Communications Commission's (FCC or Commission) rules.¹

¹ 47 C.F.R. §64.604 (c)(5)(iii)(H).

In accordance with the Commission's 2007 *Cost Recovery Order*,² the Administrator has used the Multi-state Average Rate Structure (MARS) methodology, based on the weighted average of competitively bid state rates, to propose compensation rates for interstate traditional TRS, interstate Speech-to-Speech (STS), and interstate Captioned Telephone Service (CTS).³

The IP Relay compensation rate is subject to a price cap methodology. The 2016-17 Fund Year was the base year for the current three-year price cap cycle ending with the Fund year 2018-2019. The current reimbursement rate is \$1.40 per minute.⁴

Per the Report and Order, Declaratory Ruling, Further Notice of Proposed Rulemaking, and Notice of Inquiry,⁵ the Commission adopted interim IP CTS compensation rates for Fund Years 2018-19 and 2019-20 that move the compensation level closer to actual average provider costs and directed the TRS Fund administrator to require IP CTS providers to provide a more detailed breakdown and explanation of the costs incurred. Further, the Commission found that the Multistate Average Rate Structure Plan (MARS Plan) is no longer an effective methodology to ensure that IP CTS compensation rates correlate to actual reasonable costs and terminated the use of the MARS methodology and commenced a reduction in the IP CTS compensation rate.

² Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123, Report and Order and Declaratory Ruling, 22 FCC Rcd. 20140 (2007) (Cost Recovery Order)

³ Currently, Internet Protocol services and Video services are only offered as interstate services.

⁴ See: DA 18-680, Rel. June 29, 2018.

⁵ See: FCC 18-79 Rel. June 8, 2018.

Per the Report and Order and Order,⁶ the Commission determined that maintaining a tiered Video Relay Service (VRS) rate structure for the next four years (until June 30, 2021) was the best alternative structure under consideration and indicated that the VRS compensation rate structure would be revisited as necessary, in light of future developments.

The Commission adopted a proposal to add an emergent rate to the tiered VRS rate structure, effective from July 1, 2017 through June 30, 2021, applicable solely to providers that have no more than 500,000 total monthly minutes as of July 1, 2017. In order to maintain incentives for growth and avoid subjecting emergent providers to a sudden drop in the rate applicable to all their minutes when they reach 500,000 minutes, the Commission determined that providers who are initially subject to the emergent rate and who then generate monthly minutes exceeding 500,000 continue to be compensated at the otherwise applicable emergent rate (rather than the Tier I rate) for their first 500,000 monthly minutes, until the end of the four-year rate plan, i.e. until June 30, 2021. Such providers shall be compensated at the otherwise applicable Tier I rate for monthly minutes between 500,000 and 1,000,000. The emergent provider rate adopted by the Commission is \$5.29 per minute for each of the four years of the plan.

The Commission expanded the then existing tier boundaries as follows. Tier I was expanded to 1,000,000 minutes, in order to ensure that the “emergent” providers, including any new entrants, as they grow large enough to leave the “emergent” category, will be subject to a rate that reflects their size and likely cost structure. Tier I, which also applies to the first 1,000,000 minutes of each larger provider, allows the Commission

⁶ See: FCC 17-86 Rel. July 6, 2017.

to set a rate that is high enough to ensure that each provider can cover its relatively fixed, and variable costs.

Tier II, which applies to the minutes of all providers in excess of the 1,000,000 minutes threshold up to the 2,500,000 minutes ceiling, enabled the Commission to set a rate that is appropriately lower than the Tier I rate, but higher than the rate for Tier III. Only the largest provider will be subject to the Tier III rate. That provider's per-minute costs are far lower than any other provider's costs. The Tier II rate is set low enough to ensure that providers with more than 1,000,000 minutes are not compensated far in excess of their allowable costs, but high enough to ensure that such providers have an incentive to continue providing additional minutes of service. By increasing the upper boundaries of Tier I and Tier II, the Commission limited the risk of eroding a provider's incentive to continue growing its monthly minutes as they approach a tier boundary. The lower Tier III rate, in turn, will appropriately approach the marginal cost for the largest, lowest-cost provider.

The Commission further concluded, with respect to the frequency of making rate adjustments, that there was a lack of support for continuing the six-month adjustments previously implemented. The Commission also adopted the administratively-simpler approach of having rate adjustments occur annually over the four-year rate period ending June 30, 2021.

The Administrator projects a net fund cash requirement for Fund Year 2019-2020 of \$1,413,754,532.

Calendar year 2018 interstate and international end-user revenues estimated by the Data Collection Agent (DCA) were still being gathered and compiled from reporting

entities when this recommendation was prepared for submission. The revenue estimate contains placeholders for reports which are not deemed late until after the due date for this Annual Report. We recommend that the Commission use the current best available 499-A information from the DCA to calculate the contribution factor when it becomes available. Our current recommendation has been calculated using the latest information available at the time of this submission. The best available estimated annual contribution base is \$50,876,678,778.07, which is approximately 5% below the level used for the current program year. The contribution factor for the 2019-2020 Fund year, derived from the ratio of estimated fund size to prior calendar year revenues, is proposed to be 0.02779.⁷ Upon approval by the Commission, the Fund Administrator will begin billing carriers for the 2019-2020 funding period in July 2019.

⁷ The 2018-2019 revenue requirements were \$1,495,855,093 and the corresponding contribution factor was 0.02798. The recommendation for 2019-2020 is a revenue decrease of \$82,100,561 and a contribution factor decrease of 0.0002.

II. Interstate TRS Fund Overview

The Interstate TRS Fund (TRS Fund) is designed to compensate eligible relay service providers⁸ for the reasonable costs of furnishing “[t]elephone transmission services that provide the ability for an individual who has a hearing or speech disability to engage in communications by wire or radio with a hearing individual in a manner that is functionally equivalent to the ability of an individual who does not have a hearing or speech disability to communicate using voice communications services by wire or radio.”⁹

Services that are currently compensated from the TRS Fund include interstate traditional TRS, interstate captioned telephone service (CTS), interstate speech-to-speech (STS), video relay service (VRS), Internet Protocol (IP) Relay service, and Internet Protocol Captioned Telephone Service (IP CTS). The Administrator reimburses providers at compensation rates computed by the Administrator in accordance with Commission rules and approved or modified by the Commission. In 2007, the Commission’s *Cost Recovery Order* adopted methodologies for establishing the reimbursement rates for the various relay services.¹⁰ In June 2008, the Commission also

⁸ Eligible providers are defined as (1) TRS facilities operated under contract with and/or by certified state TRS programs pursuant to 47 C.F.R. §64.604; or (2) TRS facilities owned by or operated under contract with a common carrier providing interstate services pursuant to 47 C.F.R. §64.604; or (3) interstate common carriers offering TRS pursuant to 47 C.F.R. §64.604; or (4) Video Relay Service (VRS) and Internet Protocol (IP) Relay providers certified by the Commission pursuant to 47 C.F.R. § 64.606.

⁹ 47 C.F.R. 64.601(21) Definition of Telecommunications Relay Services.

¹⁰ The methodologies included price caps for IP Relay and a tiered rate structure for VRS. The Commission set IP Relay and VRS rates for a period of 3 years and confirmed that the initial year for the applicability of the rates was the 2007-2008 fund year. The initial three year period for the IP and VRS methodologies sunset as of June 30, 2010. *See Cost Recovery Order* ¶¶ 97, 107-108. In the *2010 Rate Order* the Commission initiated a new 3-year cycle for IP Relay rates and adopted interim, one-year rates for VRS, for effect while the Commission considered broad reform. In the *2013 Rate Order* the Commission initiated another 3-year cycle for IP Relay rates. In the 2013 VRS Reform Order the Commission established new VRS tiers and set rates in six month increments through June 2017.

authorized providers' reimbursement for costs associated with implementation of 10-digit numbering and E-911 compliance for relay services.¹¹ In the *2010 Rate Order*, the Commission approved the Administrator's proposal to include the costs associated with ongoing maintenance of 10-digit numbering and E-911 compliance for relay services as a per-minute additive to the relay service reimbursement rate base-year calculation. The Bureau's Order of June 28, 2010, adopted this methodology for the current and future fund years.¹²

In 2013, the Commission adopted a VRS Reform Order, referenced above, which included provision for the establishment of a VRS User Registration Database (VRS URD). Each VRS service provider is required to register each of their existing users with the database administrator. The database administrator validates the user identity prior to including the user in the VRS URD. RL was chosen by the FCC to develop and administer the registration database. The database was declared to be available for existing user identification as of December 29, 2017.¹³ The VRS URD was not ready to accept registration information for hearing (point-to-point) video users, nor were providers required to identify or register public and enterprise videophones, or users of such devices since those matters were being addressed in a separate proceeding.

¹¹ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123; E911 Requirements for IP-Enabled Service Providers, WC Docket No. 05-196, Report and Order and Further Notice of Proposed Rulemaking, 23 FCC Rcd 11591 (2008) (TRS Numbering Order) at ¶¶ 96-101

¹² 2010 Rate Order at ¶ 25.

¹³ See Public Notice DA 17-1246 Rel. December 29, 2017; DA 18-196 Rel. February 28, 2018; and DA 18-324 Rel. March 30, 2018.

This Annual Report incorporates the costs reported by VRS, IP Relay and IP CTS service providers as part of their incurred costs for calendar years 2017 and 2018, as well as any amounts projected for 2019 and 2020.

The Commission's shared funding mechanism for the TRS Fund ensures that the costs of meeting relay service obligations are borne equitably. Interstate telecommunications common carriers contribute to the TRS Fund based on their relative share of interstate and international end-user revenues.¹⁴ The TRS funding period begins on July 1st and ends June 30th of the following calendar year. For the July 2019 to June 2020 fund year, the Administrator will use the carriers' 2018 interstate and international end-user revenues¹⁵ as the basis for calculating carriers' contribution obligations. The contribution base has become smaller each year and the reductions to the contribution base are shown in the following table 1. Rolka Loube anticipates an 5% reduction in the contribution base for the program year beginning July 1, 2019, for a contribution base of \$50,876,678,778.07.

¹⁴ See 47 C.F.R. §64.604(c)(5)(iii)(A)-(C).

¹⁵ Revenues are reported on the Telecommunications Reporting Worksheet, FCC Form 499-A, on April 1, 2019, and provided to the Administrator by the Universal Service Administrative Company (USAC), the Revenue Data Collection Agent (DCA). At the time of preparation of this filing, the information from the DCA is considered preliminary and updated data will be used for the calculation of carrier contributions.

Table 1 DCA Reported Contribution Base

Program Year beginning	Contribution Base
2004	\$ 81,954,191,761
2005	\$ 80,666,621,324
2006	\$ 80,457,972,602
2007	\$ 77,898,078,806
2008	\$ 79,428,092,243
2009	\$ 78,895,806,171
2010	\$ 72,844,997,816
2011	\$ 69,450,220,823
2012	\$ 67,206,226,973
2013	\$ 67,278,109,560
2014	\$ 65,234,609,107
2015	\$ 64,129,341,109
2016	\$ 61,424,575,348
2017	\$ 58,034,785,511
2018	\$ 53,380,042,779
2019	\$ 50,876,678,778

The DCA also provides updates to the data reported by carriers throughout the program year to reflect a variety of changed contributor circumstances, such as out of business, no telecommunications revenues, bankruptcies, mergers and acquisitions. The contribution base changes from year to year and changes over the course of the program year. Changes to the contribution base reported to the TRS Administrator by the DCA during the current program year have reduced the available funding level by approximately \$1.2 million.¹⁶ This erosion of funding is one of the factors considered when estimating the size of a two month budgetary reserve allowance and is not a specific item included in the net funding requirements.

¹⁶ See Exhibit 4. $(\$53,470,730,082 - \$53,380,042,779) * 0.02801 = \$1,241,839$.

The DCA provides the Interstate TRS Fund Administrator with the FCC Form 499-A carrier revenue information used to calculate the contribution factor and maintains the carrier database for all funds. Revisions to FCC Form 499-A revenue data are provided by the DCA to the TRS Fund Administrator and other program managers so that corrections may be made to carrier billing. Revisions may be telecommunications service provider initiated or may be the result of an audit. The first edition of the reported 2018 499-A submissions is provided to the TRS Administrator on or about April 25th. Each subsequent month, USAC will provide updated information including information received from contributors that did not file by April 1st. During the first several months of the program year, there are substantial adjustments to the contribution base derived from the first edition of the reported 2018 499-A submissions.¹⁷ The TRS Fund Administrator anticipates submitting an updated contribution factor recommendation to the Commission for consideration in response to the Public Notice regarding this submission.

All Form 499-A filers providing interstate and/or international telecommunications services are required to contribute to the interstate TRS Fund. However, shared tenant services do not contribute to the TRS Fund, because it appears that the Third Report and Order in CC Docket No. 90-571 restricted TRS obligations to only “common carriers”. The contribution base is formulated using the sum of 12 months interstate and international end-user revenues less interstate and international revenues from resellers who do not contribute to Universal Service (Line 514 - Net TRS

¹⁷ See Exhibit 4 regarding changes reported during the current program year.

Contribution Base Revenues), as submitted via the FCC Form 499-A, Telecommunications Reporting Worksheet.

Upon approval of the contribution factor by the Commission, the Administrator will promptly bill carriers for the 2019-2020 funding period which begins July 2019. Annual contributions will be due within 28 days after their July invoice date. Carriers whose contributions are \$1,200 or more have the option to be invoiced in twelve equal monthly installments. Invoices will be due four weeks after the issue date of the monthly invoice. RL has assigned each monthly contributor to one of several monthly invoice cycles and issues approximately one third of the monthly invoices on the first three Fridays of each month.

RL expects to begin issuing invoices for the 2019-2020 program year on or about Friday, July 12, 2019. Receipts associated with those invoices will begin to arrive in mid-August. This lag in the receipt of revenues is not currently recognized as significant. There has not been a material change in the level of the contribution factor great enough to impact cash flow.

Per-minute compensation rates will be effective for minutes of service beginning July 1st, assuming approval of the proposed rates by the Commission. Provider reimbursement requests must be processed within two months¹⁸. The Administrator generally has been able to process reimbursement submissions in less than 30 days. For example, minutes handled by providers in May 2019 are expected to be reported between June 10 and 15, 2019, and providers will then receive compensation for those minutes at

¹⁸ See 47 C.F.R. 64.604(C)(5)(iii)(L)

the rates in effect at the time service was provided, on or about July 5, 2019.¹⁹ This lag between the provision of services and the issuance of payments is reflected in the demand and cash flow projections.

III. TRS Rate Development

MARS

The *Cost Recovery Order* adopted the Multi-state Average Rate Structure (MARS) plan as the basis for calculating the compensation rate for interstate traditional TRS, interstate Speech-to-Speech (STS), and interstate Captioned Telephone Service (CTS).²⁰ Each year, the Administrator will calculate a MARS rate for interstate TRS, STS, and CTS, based on the weighted average of state rates. TRS and STS are calculated on a combined basis, whereas CTS is calculated separately.²¹

The Commission identified the steps to be used by the Administrator to determine MARS-based compensation rates.²² The Administrator must first collect intrastate traditional TRS, STS, and CTS compensation rate data for the prior calendar year. Accordingly, the Administrator requested the following information from each state TRS administrator, and each provider, of interstate traditional TRS, STS and CTS for calendar

¹⁹ See Exhibit 3, Anticipated Reporting and Disbursement Schedule. The reporting and disbursement schedule is subject to modification based on exogenous circumstances.

²⁰ Cost Recovery Order at ¶ 16.

²¹ *Id.*

²² Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123; Structure and Practices of the Video Relay Service Program, CG Docket No. 10-51, FCC 11-104, Rel. June 30, 2011 at ¶¶ 9-18.

year 2018 in January 2019, and requested that it be provided no later than the end of February 2019.²³

- a. the per-minute compensation rate for intrastate TRS and STS
- b. the per-minute compensation rate for intrastate CTS
- c. whether the rate applies to session or conversation minutes
- d. the number of intrastate session minutes for TRS and STS
- e. the number of intrastate session minutes for CTS
- f. the number of intrastate conversation minutes for TRS and STS
- g. the number of intrastate conversation minutes for CTS
- h. any amounts paid by the state to the provider for relay service during the previous calendar year that are not included in the contractual per-minute compensation rate.

The Administrator must determine whether there are anomalies in any state's data that will necessitate it being excluded from the MARS calculation;²⁴ calculate each state's total dollars paid for the year for intrastate traditional TRS, STS, and CTS services; and calculate the final rate by dividing the total dollars paid by all states by the total conversation minutes of all states for TRS and STS. The process is repeated for CTS.

A. Traditional TRS and STS Formula Development

Ten jurisdictions²⁵ provide service based on a flat rate for the service rather than on a per-minute rate, due to the small volume of minutes for the services in those jurisdictions. Costs recovered on a flat rate basis are included in the MARS calculation as state additional costs paid to providers. The conversation minutes of flat rate states have been included in the calculation. For the remaining states, the District of Columbia,

²³ The Annual Data Collection Form is included at Appendix A.

²⁴ For example, if there were no state TRS Fund and the cost of providing Relay services were recovered by the service provider based on each LEC's proportionate share of subscriber lines in the state, MARS-like data would not be available and thus, would be excluded from the MARS computation.

²⁵ Connecticut, Delaware, Hawaii, Illinois, Maine, North Carolina, North Dakota, Rhode Island, South Carolina, and the Virgin Islands.

and Puerto Rico, the Administrator multiplied each jurisdiction's TRS and STS rate by the corresponding number of intrastate session minutes or intrastate conversation minutes, whichever the jurisdiction's rate was based upon.²⁶ For those states experiencing a mid-year rate change, the calculation was performed for each rate and corresponding service period. The calculation was made for each jurisdiction and the resulting weighted dollar amounts were summed to produce a total dollar amount for each service. Additional amounts paid by the states to the relay service provider(s) during the applicable period that were not included in the contractual per-minute compensation rate, but were applicable to the provision of relay service, were added to the weighted dollar total by the Administrator.²⁷ As a final step, the Administrator divided the resulting total weighted dollar and supplemental payment amount by the total number of intrastate TRS and STS conversation minutes.²⁸ The results of this calculation can be found in Exhibit 1-1, which displays the array of rates reported by the individual state jurisdictions in ascending rate order. It does not identify the states in deference to provider requests for confidentiality.

RL requests that the Commission authorize future reports to identify the rates and demand by state, unless the reporting state asserts a claim of confidentiality regarding its compensation rates. Alternatively, RL can be authorized to file a confidential version with the Commission which identifies the respective state rates and demand.

The total dollar amount paid out for intrastate TRS and STS during calendar year 2018 amounted to \$16,559,968. The total conversation minutes for intrastate TRS and

²⁶ *Id.* at ¶ 30

²⁷ *Id.* at ¶ 31

²⁸ *Id.*

STS for calendar year 2018 were 5,323,584. The proposed compensation rate is developed by dividing the total 2018 intrastate dollar amount by the total 2018 intrastate conversation minutes, resulting in a proposed MARS rate of \$3.1107 per conversation minute for interstate traditional TRS for the 2019-2020 funding period. The proposed rate is approximately 4.6% below the 2018-2019 MARS rate of \$3.2592 per conversation minute.

In the *Cost Recovery Order*, the Commission provided an additional amount of \$1.131 to the 2007-2008 interstate STS compensation rate to be used by the providers for outreach efforts.²⁹ In the ensuing Fund years, the Commission has found it appropriate to continue the outreach additive at the same level.

The Administrator continues to recommend adding the \$1.131 to the MARS-based STS rate resulting in a total proposed STS rate of \$4.2417 per minute; a decrease of 3.4% from the \$4.3902 per-minute rate for the 2018-2019 Fund year.³⁰ However, the Administrator notes that the demand for STS continues to decline and be small compared to the other services. The outreach additive, projected to be approximately \$156,775($\$1.131 * 138,616 \text{ minutes} = \$156,775$) across both service providers when applied to the per-minute rate, is not having the desired result. The administrator lacks adequate information to determine if this community is being adequately served or to determine the underlying cause of the continued reduction in the volume of this service.

²⁹ *Id.* at ¶¶ 57, 61

³⁰ At its April 2018 meeting, the Interstate TRS Advisory Council was informed of the Administrator's intent to recommend that \$1.131 per minute of extra funding for speech to speech outreach purposes be maintained.

B. CTS Formula Development

The proposed MARS CTS rate was calculated by following the same steps described above but substituting CTS related data for the TRS and STS data. The results of this calculation can be found in Exhibit 1-2. Exhibit 1-2 summarizes the data provided by the individual state jurisdictions.

The total dollars for intrastate CTS, including the amounts paid to relay providers not included in the compensation rate, declined 6.4% from \$30,277,482 for calendar year 2017 to \$28,300,248 for calendar year 2018. The total conversation minutes for intrastate CTS also declined 18% from 15,133,253 for calendar year 2017 to 12,414,889 for calendar year 2018. The total 2018 intrastate dollars divided by 2018 intrastate CTS minutes equals a calculated compensation rate of \$2.2795 per conversation minute for interstate CTS for the 2019 – 2020 funding period.

The proposed MARS CTS rate represents a 14% increase from the 2018–2019 rate of \$2.0007. The associated fund revenue requirement at this reimbursement rate level based on decreasing forecasted demand will be \$6,585,287 in program year 2019-2020, an increase of \$404,740 from the amount projected for the program year ending June 30, 2019.

C. IP CTS Formula Development

The RL 2018 Annual Data Collection Form requested historical cost data regarding the provision of IP CTS in calendar years 2017 and 2018 as well as projected costs for 2019 and 2020 based on the cost categories reported by service providers for IP Relay services and for VRS services. The results of analysis of that IP CTS data are found in Exhibit 1-3. Exhibit 1-3 contains information compiled by the Administrator

from annual cost data supplied by IP CTS service providers for the annual periods 2012 through and including 2018, as well as the current projected costs for both 2019 and 2020. This Exhibit demonstrates that the MARS rate for IP CTS, with the exception of 2013, the year in which the Commission proposed limitations on the growth of demand (which were overturned by the DC Circuit Court), the MARS rate for IP CTS is consistently well above the reported level of provider-reported costs for the period. Based on the number of reported minutes of service, IP CTS has become the most popular TRS service. In the *IP CTS Modernization and Reform Order*, the Commission eliminated the use of MARS to calculate IP CTS rates and adopted interim rates for the provision of IP CTS, effective from July 1, 2018, through June 30, 2020. The per-minute compensation rate for the period July 1, 2018, through June 30, 2019, is \$1.75. For the period July 1, 2019, through June 30, 2020, the rate established by the Commission is \$1.58. This rate can only be changed by Order of the Commission.

Since 2011, RL has been requesting and compiling data on IP CTS costs consistent with the annual provider data requests for IP Relay and VRS services. The provider-reported IP CTS costs submitted to RL are used to calculate and recommend a weighted-average rate to the FCC in the Annual Report. The Commission issued a proposed rulemaking to address the rules for future calculation of an IP CTS rate. Parties have responded to the proposed rulemaking with various filings.³¹

If the Commission were to revert to the MARS approach, using the CTS rate to set the IP CTS rate, the IP CTS rate would be \$2.2795 and the IP CTS revenue requirement based on provider projected demand would be \$1,250,015,955 for program

³¹ See FCC 18-79, Rel. June 8, 2018

year 2019-2020 minutes, representing nearly 71% of all projected provider distributions for the year. This would increase the contribution factor to 0.03582, an increase of 28%.³²

Reverting back to the current MARS rate-making procedure is strongly discouraged by RL because it would provide excessive TRS industry profits and unreasonably increase the TRS Fund contribution burden. As shown in redacted exhibit 1-3.1, total excessive TRS provider profits would be approximately \$544 million. Moreover, the \$2.2795 rate, is substantially above the projected 2019-2020 average cost of the highest cost provider. Therefore, the rate would allow all of the providers to earn an operating margin above the zone of reasonableness which the Commission established for VRS operating margins (7.6% - 12.35%). Because both industry profits and the profits of the highest cost provider would be excessive, reverting to the MARS procedure would place an unreasonable burden on contributors to the fund.³³

In the past, the Commission has raised concerns about the extent to which projected costs provide a reliable basis for setting TRS compensation rates. In the VRS context, the Commission has often resolved this issue by using a weighted average of providers' historical and projected per-minute costs to set compensation rates. The Commission recently found this blended approach to be a reasonably accurate predictor of actual VRS costs and has followed this approach in setting interim IP CTS rates.³⁴

The total industry average cost for IP-CTS service decreased from \$1.4861 in 2015 to \$1.3332 in 2018, while the MARS CTS rate increased from \$1.8895 to \$2.0007

³² See Exhibit 2 for projected program year minutes and distributions by TRS Service.

³³ The Tariff year 2019-2020 IP-CTS fund requirements associated with each option is provided in Exhibit 1-3.

³⁴ See FCC 18-79 Rel. June 8, 2018 at para. 23.

in 2018 over the same period and would have been \$2.2763 for 2019-2020. Major factors causing the difference between the average IP CTS cost and the average CTS rate are the growth in the demand for IP-CTS, which generates economies of scale for providers, and the contrasting decrease in the demand for CTS service, with the inverse effect. If the MARS approach had continued to be applied in 2018-2019, approximately 15.1 million 2017 CTS conversation minutes would have been used to establish the reimbursement rate for 521.3 million minutes of provider projected (July 2018 through June 2019) IP CTS demand. The demand for IP CTS service approached 35 times the level of demand for the service that would be used as a proxy to establish its reimbursement rate if the CTS rate were to be used!

The average cost-based rate for IP CTS, based on provider-projected costs for 2019 and 2020, is approximately \$1.3879.³⁵ A 10% reduction, rather than a proxy-based increase in the rate, when applied to the 2018-2019 IP CTS rate of \$1.75, produces a rate of \$1.58 per minute for the 2019-2020 Fund Year. The rate of \$1.58, is above the average projected provider cost and above the average projected provider cost. However, the reported and projected costs of the five service providers greatly vary among the cost categories. Two IP CTS service providers have projected their aggregate costs to be above the 2019-2020 interim rate of \$1.58, two provider's projected aggregate costs are very near the 2019-2020 rate, and a fifth provider's projected costs are well below the interim rate. The TRS Fund Advisory Council is supporting a freeze of the interim rate at the current level of \$1.75 pending the outcome of the proceeding initiated by the Commission.

³⁵ See Exhibit 1-3.

When changing the mechanism for establishing VRS rates the Commission invoked a phased approach to the movement toward a cost-based rate and supplemented the rate with consideration of a range of operating ratios rather than a return on investment. A 10% reduction from the current rate level was consistent with the phased transition approach taken by the Commission in the VRS ratemaking proceeding while ensuring that the costs of even the highest cost provider were met.

To reflect an interim rate structure that is moving towards cost-based rates, the IP CTS compensation rate for the TRS Fund program year 2019-2020 adopted by the Commission in FCC 18-79 is above the projected 2019-2020 average provider costs, but is below the projected costs of two IP CTS service providers. The cash requirements and corresponding contribution factor for 2019-2020 reflect the Commission directed IP CTS rate of \$1.58 per minute. A freeze of the rate at \$1.75 per minute would increase the cash requirements of the Fund from \$1,413,754,532 to \$1,513,097,002 and the contribution factor from 0.02779 to 0.02974.

D. IP Relay Formula Development

[Due to the single provider offering this service cost information has been redacted from this recommendation.]

In the *Cost Recovery Order*, the Commission concluded that the MARS methodology is not appropriate for IP Relay, because there are no state rates for this service. The Commission stated that, although it was believed that the costs of providing traditional TRS and IP Relay were generally similar – in many instances, for example, the same CAs, sitting at the same offices, were handling both traditional and IP Relay calls – it was concerned that the use of a MARS rate for IP Relay may result in the overcompensation of the sole IP Relay provider.

The Commission adopted a cost recovery methodology for IP Relay based on price caps for a three-year period beginning with the effective date of that Order.³⁶ The *Cost Recovery Order* price cap plan for IP Relay applies three factors to a base rate: an Inflation Factor, an Efficiency (or “X”) Factor, and Exogenous Costs. The basic formula takes a base rate and multiplies it by a factor that reflects an increase due to inflation, offset by a decrease due to efficiencies. As a result, the rate for a particular year would be equal to the rate for the previous year.

The initial three-year period ended on June 30, 2010, coincident with the end of the 2009-2010 Fund year. The second three-year period ended on June 30, 2013, coincident with the end of the 2012-2013 Fund year. Over the course of the next three-year cycle, the number of service providers declined until Sprint became the only remaining service provider. When establishing the compensation rate for the 2014-2015

³⁶ FCC 07-186, ¶ 66, Rel Nov 19, 2007.

fund year, CGB reconsidered the rate mechanism on a retroactive basis to reflect the costs of the then two remaining providers (Purple and Sprint) rather than the five providers whose costs were reflected in the MARS submissions for the initial year of the period. The 2014-2015 rate Order set the inflation factor for the cycle at zero.³⁷ Because the efficiency factor, a factor that accounts for productivity gains, is set equal to the inflation factor, the efficiency factor also was set equal to zero, effectively freezing the rate, assuming there are no exogenous costs.

The Commission determined in 2013 that IP Relay outreach should be conducted through what is now called the National Outreach Program and that provider-specific outreach costs should no longer be included as compensable costs.³⁸ A temporary, limited waiver allowed Sprint to recover the costs for outreach activities and dedicated staff specifically targeted at outreach to the deaf-blind community, as described in its ex parte filings. This waiver was extended through the 2017-2018 Fund year³⁹ and further extended through the 2018-2019 Fund year.⁴⁰ Sprint, as a condition of the waiver, was required to provide quarterly reports on its service improvements and outreach expenditures focused on the deaf-blind community in each quarter of the Fund Year.

Sprint, as the only remaining IP Relay service provider, is required to report historical and projected costs to the Administrator on an annual basis. Reporting on the Sprint cost data at this point will reveal information considered to be confidential by Sprint. Exhibit 1-5 is HIGHLY CONFIDENTIAL NOT FOR PUBLIC INSPECTION.

³⁷ DA 14-946, Rel. June 30, 2014 paragraphs 11-19.

³⁸ *VRS Reform Order*, 28 FCC Rcd at 8634-39, 8696, paras. 31-39, 192.

³⁹ DA 17-642, para 13.

⁴⁰ DA 18-680, para 13

Previously, the Administrator's recommendations for setting the IP Relay base rate have been based on the average of the two projected years' costs. However, in setting compensation for other services the Commission has considered an average of historical and projected costs (see pages 20-21 above).

In view of the relatively stable level of IP Relay demand, Rolka Loube recommends that the IP Relay rate continue to include the allowance for deaf-blind outreach activities. Because the Commission has adopted the inclusion of an operating margin rather than a return on investment when determining rates for VRS and IP CTS, Rolka Loube also recommends supplementing the IP Relay rate with an operating margin rather than a return on investment. By adding in deaf-blind outreach activities and a 10% operating margin (selected because it lies at the mid-point of the "zone of reasonableness" established by the Commission for operating margins in the VRS context), the Fund requirements and contribution factor recommendation include the recommended rate of \$1.6334, as well as Sprint's projected demand.

Because inflation is projected to remain at a relatively low level for the next several years and because of the difficulties related to projecting the efficiency factor, RL recommends that the Commission continue its practice of setting the efficiency factor equal to inflation. In doing so, the Commission remains open to provider waiver requests to consider exogenous events that may affect the IP-Relay market.

If the Commission decides that the deaf-blind outreach allowance should no longer be provided, substantially lower per-minute compensation could result. Conversely, if the Commission extends the outreach allowance to include outreach to other eligible consumers and the public, an amount higher than \$1.6334 could be

justified. A different compensation amount could also be supported, for example, if the Commission determines that an operating margin higher or lower than 10% is appropriate for IP Relay, or if it relies on an average of historical and projected costs, rather than projected costs only. The projected and historical costs reported for the various elements of IP Relay service are shown in the confidential version of Exhibit 1-5.

E. Video Relay Service Formula Development

On June 10, 2013, the Commission released a Report and Order and Further Notice of Proposed Rulemaking, herein referred to as the “VRS Reform Order” in which it revised the Tier structure and established the VRS compensation rates to be used through June 30, 2017, unless otherwise set by further Commission Order.

ZVRS Holding acquired Purple on February 14, 2017. Purple and CSDVRS will continue to offer VRS under their existing brands as wholly owned subsidiaries of ZVRS Holding until the businesses are integrated, but no more than three years from the effective date, February 15, 2017.⁴¹ The business consolidation is anticipated to occur during the 2019-2020 Fund Year.

In 2017, the Commission requested comment on the rate structure that would be in effect after June 30, 2017.⁴² The Commission also provided for VRS improvements by authorizing trials of Skills-Based Routing and the use of Deaf-Interpreters, clarified the Speed of Answer requirements, and authorized a Pilot Program for At-Home VRS call handling. The Commission also initiated an inquiry regarding service quality metrics for

⁴¹ See: FCC 17-10 Rel. February 15, 2017.

⁴² *Report and Order and Further Notice of Proposed Rulemaking*, CG Docket Nos. 10-51 & 03-123 Adopted June 7, 2013, Rel. June 10, 2013.

VRS. Two service providers were approved for At-Home VRS call handling late in 2017.

The iTRS Advisory Council (the Council) recommended a four-year annual price change for tiers I-III, rather than the six-month rate decreases proposed in the FNPRM. The Council also recommended that the Emergent Rate remain the same over the four-year period and that no subsidiary of a parent VRS provider will be eligible to take advantage of the Emergent Rate. Specifically, the Council recommended adoption of the four Tiers which were approved by the Commission in the *Report and Order*.

Additionally, the Council expressed concern that, without compensation, the providers will have little interest in voluntarily trialing Skills-Based Routing. The Council recommended that providers be compensated for minutes during the trial at the Emergent Rate, subject to the submission of a plan on how the providers will ensure that only the minutes associated with the trial will be compensated at the higher rate.

The Commission established VRS reimbursement rates and the Tier structure in the Report and Order and Order (*Report and Order*) adopted and released July 6, 2017, at CG Docket No. 10-51 and 03-123 (FCC 17-86). The referenced Report and Order addressed Allowable Cost Categories, Capital Cost Recovery and Operating Margin, Rate Structure, the Tier structure and Tier levels and related compensation matters.

The tiers which became effective in July 2017 are shown in Table 2 below:

**Table 2: Reconfigured Rate Tiers for VRS Compensation
2017 – 2021**

Tier Numbers	Previous Tier Definition (The range of a provider's monthly VRS minutes to which the Tier is applicable)	New Tier Definition (The range of a provider's monthly VRS minutes to which the Tier is applicable)
Emergent		0-500,000
I	0-500,000	0-1,000,000
II	500,000.1-1,000,000	1,000,000.1 – 2,500,000
III	Over 1,000,000	Over 2,500,000

The progressive adjustment of rates for each tier is illustrated in Table 3 below, which shows the rates adopted for Fund years 2017-18, 2018-19, 2019-20, and 2020-21.

Table 3: Rates Adopted for Fund Years 2017-18 through 2020-21

Per FCC 17-86	2017-2018	2018-2019	2019-2020	2020-2021
Emergent service < 500,000 minutes/month	\$5.29	\$5.29	\$5.29	\$5.29
Tier I service up to 1,000,000 minutes/month	\$4.82	\$4.82	\$4.82	\$4.82
Tier II service over 1 million up to 2,500,000 minutes/month	\$3.97	\$3.97	\$3.97	\$3.97
Tier III service over 2,500,000 minutes/month	\$3.21	\$2.83	\$2.63	\$2.63

The rates established in the Report and Order are to be applied as scheduled to all VRS providers absent further action by the Commission.

Although the Commission has adopted a four-year Tier and Rate plan, Video Relay Service providers are required to report historical and projected costs to the Administrator on an annual basis.

For analysis purposes, the Administrator segregated the provider historical and projected costs into eight distinct categories for review:

- **Facilities** - expenses associated with land and buildings, etc.;
- **CA Related Expense** - costs of the individuals performing the interpretive services;
- **Non-CA Relay Center Expense** - other costs associated with the relay center, including supervisory management, telecommunications expense, etc.;
- **Indirect Expense** - finance, human resources, legal expenses, executive compensation, etc.;
- **Depreciation Expense** - annual depreciation on facilities and equipment;
- **Marketing Expense** - projected costs of advertising the provider's service;
- **Other Expenses** - projected expenses not directly associated with one of the other expense categories; and
- **Operating Margin** - assumed percentage within the FCC-determined "Zone of Reasonableness."

Data submitted by the providers in response to the Administrator's Annual Data Request are shown below. The data is summed across the providers by category and then divided by annual VRS minutes.

Table 4. VRS Service Provider Reported and Projected costs

Category	2017	2018	2019	2020	2019-2020 Average
Facilities	0.1913	0.1800	0.1915	0.2009	0.1962
CA Related	1.3833	1.3910	1.5007	1.5252	1.5130
Non-CA Relay Center	0.3434	0.3088	0.3242	0.3304	0.3273
Indirect	0.5529	0.5397	0.5791	0.6017	0.5904
Depreciation	0.0826	0.0910	0.0763	0.0602	0.0682
Marketing	0.1168	0.0940	0.1161	0.1298	0.1229
Other	0	0	0	0	0
Operating Margin	0.2670	0.2604	0.2788	0.2848	0.2818
Total Cost	2.9374	2.8648	3.0668	3.1330	3.0999

The average cost of VRS service is projected to increase \$0.208 from the two-year average of \$2.9011 in the historical Fund Year⁴³ period to \$3.1091 in the projected Fund Year period. CA related expenditures for the same periods are projected to increase by \$0.1259 per minute from \$1.3871 to \$1.5130 per minute. Non-CA Relay Center related expenditures are projected to increase slightly by \$0.0012 from \$0.3261 to \$0.3273 per minute. The consolidation of Purple with CSDVRS appears to have reduced the average provider cost by one cent. CSDVRS projects that on a consolidated basis they will generate some Tier III minutes beginning in March 2020.

⁴³ Fund Year costs are the average of the two historical or projected years that are part of the program year that begins July and ends June.

IV. Demand Projection Methodology

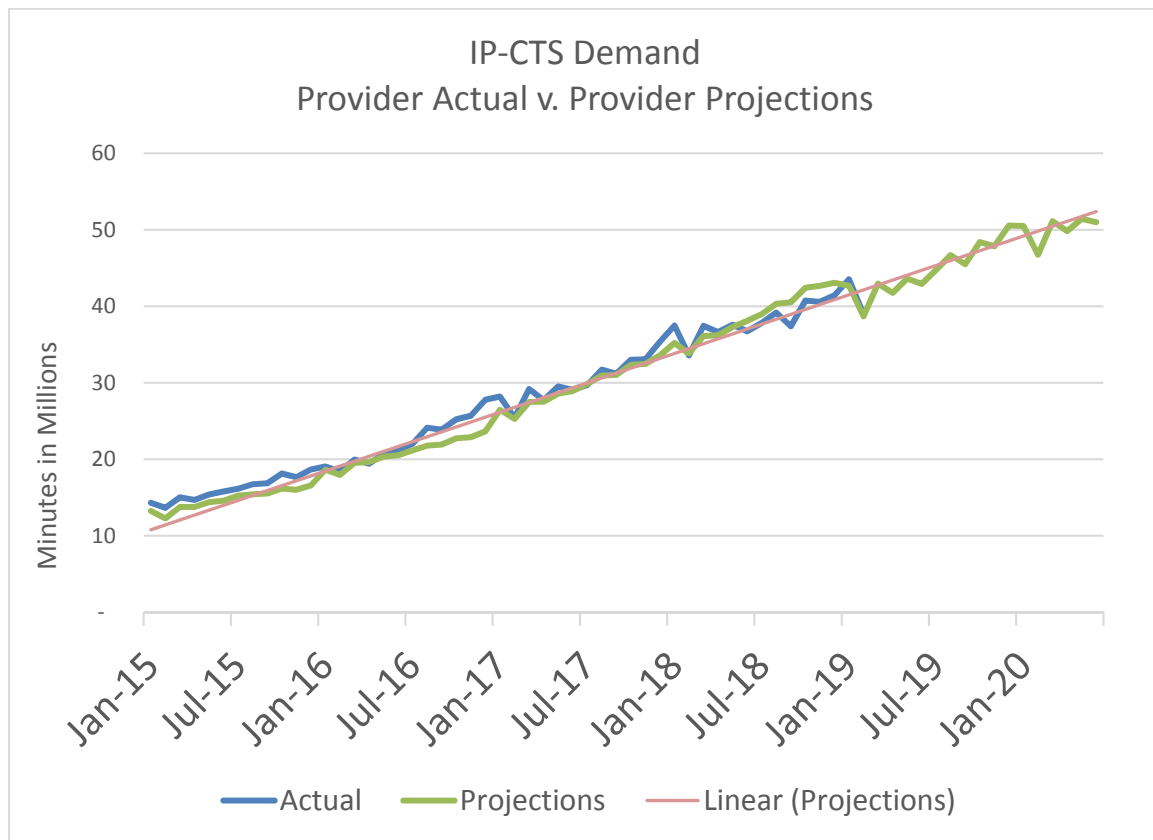
In order to estimate the annual funding requirement and propose a contribution factor, an estimate of the interstate funding requirement for each of the services is required. The fund requirement equals the service rate multiplied by the service demand reimbursed during the program year, July through June. The Administrator has adjusted the demand levels of the rate year to reflect the two-month difference between the provision of service and the reimbursement for that service. Providers of services being compensated using the MARS-based rate methodology, (i.e. traditional TRS, STS and CTS) are not required to submit demand projections.

In this report, as was done previously, historical demand was used to estimate the future demand for traditional interstate TRS, STS and CTS. Using the regression data analysis tool of Microsoft Office Excel, the Administrator projected demand for the 2019-2020 Fund year using actual data available to the Administrator at the time the filing is due to the Commission.⁴⁴ For each of these services, the Administrator projected demand and an estimated funding requirement based on the proposed compensation rates for the funding year. This approach has historically provided reasonably accurate results for these services.

The Administrator has historically used the forecasts submitted by the providers for IP Relay, IP CTS and VRS services and recommends them for use for the 2019-2020 Fund year. This approach has historically provided reasonably accurate results for these services. The administrator applied the IP Relay rate, as well as the tiered VRS reimbursement rates to calculate the funding requirements for these services.

⁴⁴ In most instances this embodies July 2015 through March 2019 minutes.

The IP CTS industry demand projection for the 2019-2020 funding year totals 568,474,075 minutes,⁴⁵ a significant increase when compared to the projection for the 2018-2019 Fund year of 501,212,040 minutes.⁴⁶ The Administrator considers the compilation of the industry demand forecast to be reasonably valid, but recently the forecast demand has been higher than reported actual monthly demand. The reported demand for the first nine months of the current program has reached 380,125,866 minutes, or 76% of the projected total for the period. Still, demand for IP CTS service continues to increase at a very fast rate.



⁴⁵ May 2019 – April 2020.

⁴⁶ May 2018 – April 2019.

On August 26, 2013, the Commission adopted final rules on IP CTS. The final rules require that IP CTS providers register each new IP CTS user and obtain a self-certification regarding the consumer's understanding of and need to use IP CTS.⁴⁷ In addition, providers must register and obtain certifications from all consumers who initiated service prior to adoption of the interim rules.⁴⁸

V. Additional Funding Requirements

A. Video Relay Service Reforms

For the past several years the recommendation has included an allowance for the various reform initiatives identified in the 2013 VRS Reform Order. Based on historical expenditure levels and the conclusion of the four-year transition plan, the Fund Administrator is recommending that the allowance be set at \$11.375 million, which is consistent with currently known and ongoing commitments.

B. iTRS Database Administration

The Commission authorized the TRS Fund Administrator to pay the reasonable costs of providing necessary services consistent with the *TRS Numbering Order* directly to the database administrator.⁴⁹

The Administrator projects that the 2019-2020 Fund year compensation for the iTRS Database Administrator will be \$1,000,000, based on the current reimbursement level. RL recommends this amount be included in the 2019-2020 Fund year.

⁴⁷ See *id.* at 13421, ¶ 2, 13496-97, Appx. B, §§ 64.604(c)(9)(i), (iii). In addition to the information required by the interim rules, the final rules require providers, for example, to obtain from registrants the last four digits of the consumer's social security number and the consumer's self-certification that, to the best of the consumer's ability, persons who have not been registered to use Internet protocol captioned telephone service will not be permitted to make captioned telephone calls on the consumer's registered IP captioned telephone service or device. *Id.*

⁴⁸ *Id.* at 13450-55, ¶¶ 66-73, Appx. B, § 64.604(c)(9)(xi).

⁴⁹ TRS Numbering Order at 101

C. National Deaf-Blind Equipment Distribution Program

In its August 4, 2016 Order,⁵⁰ the Commission permanently established a National Deaf-Blind Equipment Distribution Program (NDBEDP) to certify and provide funding to entities in each state so that they can distribute specialized CPE to low-income individuals who are deaf-blind.⁵¹ Funding for this program has been established at \$10,000,000 per year beginning with the 2012 – 2013 Fund year. As such, \$10,000,000 has been included in the Interstate TRS Funding Requirement for the 2019-2020 Fund year.

D. TRS Fund Administrator Expenses

Beginning July 1, 2011, the Interstate TRS Fund Administrator became compensated based on a fixed-price contract similar to that of the iTRS Numbering Administrator. The contract for the 2019-2020 Fund year has not yet been confirmed. The projected TRS Fund Administrator expenses are \$4,600,000.

E. Revenue Data Collection Agent Expense

The costs associated with the DCA are to be separately identified from the TRS Fund Administrator's costs. The DCA invoices the TRS Fund for 8% of Data Collection costs. For the 2019-2020 Fund year, the DCA costs are projected to be \$88,800.

⁵⁰ See: FCC 16-101 adopted August 4, 2016, Rel. August 5, 2016.

⁵¹ *Implementation of the Twenty-First Century Communications and Video Accessibility Act of 2010, Section 105, Relay Services for Deaf-Blind Individuals*, Report and Order, CG Docket No. 10-210, Adopted April 4, 2011

F. Interstate TRS Advisory Council Expenses

Expenses incurred as a result of the Interstate TRS Advisory Council holding a minimum of two meetings annually, as required by the Commission's rules,⁵² are now separately identified from the TRS Fund Administrator's expenses. For the 2019-2020 Fund year, these expenses are projected to be \$65,000.

G. Investment Expense

The Program Administrator entered into a Non-Custody Investment Advisory Agreement in which the Investment Advisor directs the investment, reinvestment and changes in the investment of the TRS Fund Account, manages the Qualified Investments and uses its best efforts to invest all Escrow Funds in compliance with the FCC letter dated June 20, 2011 (DA 11-1069) regarding the Investment of Telecommunications Relay Service Funds. This Agreement has provided transparency to the costs associated with managing the investments of the Fund. Investment expenses for the 2019-2020 Fund year are estimated to be only \$14,000, due to the conclusion of the private banking arrangements prior to November 1, 2019, when banking operations are scheduled to be transferred to the U.S. Treasury.

H. Service Provider Audits

The TRS Fund Administrator's audit plan, applicable to service providers' compliance with the provisions of 47 C.F.R. 64.604 by independent audit firms, must be approved by the Commission and initiated subject to competitive bid where applicable. The Administrator anticipates a funding requirement of \$1,000,000 for the audit of service providers during the 2019-2020 Fund year.

⁵² 47 C.F.R. § 64.604(c)(5)(iii)(H)

I. IPERIA

In response to a directive from the FCC, the Administrator developed a plan to establish a baseline error rate for payment from the TRS Fund. The plan was based on a Memorandum from the Office of Management and Budget (OMB) to Heads of Executive Agencies entitled *Issuance of revised Parts I and II to Appendix C of OMB Circular A-123 (April 14, 2011) and Part III to OMB Circular A-123, Appendix C*. The Administrator anticipates a total funding requirement of \$250,000 for this project, which is in addition to the budget estimate for Service Provider audits.

J. Bankruptcy Representation

During the 2011-2012 Fund year the Administrator found it necessary, with the prior approval of the Commission, to retain outside counsel to represent the interests of the Fund in various Bankruptcy proceedings. The Administrator anticipates a funding requirement of \$50,000 for legal representation, subject to prior Commission prior approval of such legal representation, in bankruptcy matters during the 2019-2020 fund year.

K. Audit Expense

The Administrator recommends that the 2019-2020 Fund year expenses include an allowance to conduct an independent audit of the TRS Fund separate from the independent audit of the FCC. The independent audit is competitively bid and is projected to cost \$65,000.

VI. Contribution Factor Calculation

As previously noted, reimbursement requests are to be processed within two months of receipt by the Administrator. Operationally, service provided in May will be reported to the Administrator in June and paid in July, the first month of the upcoming

program year. Similarly, service provided in June will be reported in July and paid in August, the second month of the upcoming program year. To accurately account for this lag, the Administrator's funding recommendation for the Fund year from July 2019 through June 2020 reflects the demand for the May 2019 - May 2020 time period. The Administrator has recommended that the payment reserve incorporate a two-month accrual for anticipated provider distributions that will be paid in the following year.

Collectively, anticipated expenditures for the six relay services and the additional fund requirements total \$1,690,529,896. Interest on invested funds for the July 2019-November 2019 period is projected to be approximately \$900,000, which has been subtracted as an offset from these projected Fund requirements in calculating the 2019-2020 budget.

Historically, the Administrator has recommended that the TRS Fund include an additional component to protect the Interstate TRS program from running short of available funds before the end of the TRS Fund year. In its 2009 and 2010 Rate Orders, the Commission accepted the Administrator's recommendation to include a surplus of one month's projected distributions to providers.⁵³ The Administrator recommended for the 2014-2015 funding year that the budgetary reserve be increased to two months. The reserve is a reasonable precautionary measure to guard against the possibility of unanticipated demand for TRS that can unexpectedly increase the need to Fund payments in the course of a Fund Year. In the 2014-2015 Rate Order,⁵⁴ the Commission accepted the change to increase the reserve as described. The use of a budgetary reserve of two

⁵³ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Order, CG Docket No. 03-123, 23 FCC Rcd 9976 (2008 Rate Order) at n. 56

⁵⁴ See DA 14-946, para. 23.

months of projected distributions to providers totaling \$246 million is included in the funding requirement. It is anticipated that there will be a surplus of approximately \$276 million on June 30, 2019, which is deducted from the funding requirement when determining the contribution factor.

The total projected net funding requirement for the 2019-2020 funding year is estimated to be \$1,413,754,532. The component parts of the projected funding requirement are displayed in Exhibit 2.

Based on the 2019-2020 demand projections and the proposed rates contained herein, coupled with the anticipated calendar-year 2018 revenue base, the Administrator estimates that the contribution factor will need to be 0.02779.

VII. Program Administration

A. Interstate TRS Fund Advisory Council Reports

Pursuant to section 64.604 of the Commission's rules, the Advisory Council offers recommendations to the Administrator regarding interstate TRS cost-recovery matters.⁵⁵ The Advisory Council includes non-paid volunteers from the hearing and speech disability community, TRS users (voice and text telephone), state regulators and relay administrators, interstate service providers, and TRS providers. Appendix C contains a listing of current Advisory Council members.⁵⁶

On September 13, 2018 the Advisory Council met in Minneapolis, Minnesota. The meeting included an extensive overview of developments at the FCC presented by

⁵⁵ 47 C.F.R. § 64.604 (c)(5)(iii)(H).

⁵⁶ In a July 1999 Order, the FCC authorized the addition of a position in the hearing and speech disability community category for a representative from the speech disability community. *See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the Interstate TRS Advisory Council*, CC Docket No. 90-571, Memorandum Opinion and Order, 14 FCC Rcd 10553 (1999).

Eliot Greenwald, Deputy Chief, Disability Rights Office (DRO) of the FCC and a discussion of the health of the Fund by the Fund Administrator, David Rolka. The Council considered and adopted a change to the composition of the Council membership to incorporate a deaf-blind user representative. The Council established a subcommittee to continue their examination of confidential IP CTS provider cost recovery data. The Councilmembers also expressed continued interest in matters relating to the establishment and operation of the VRS user registration database.

On April 8, 2019 the Advisory Council met in Washington, D.C. The meeting included an overview of developments at the FCC presented by Eliot Greenwald, Deputy Chief, Disability Rights Office (DRO) and Michael Scott of Consumer and Government Affairs Bureau (CGB). A further small subcommittee continued to request and eventually gain access to the IP CTS providers latest cost submissions. Although they were received too late to enable the subcommittee to conclude their analysis prior to the meeting, the subcommittee advised that the Commission should not proceed with the anticipated reduction of the IP CTS rate to \$1.58 pending the outcome of the current proceedings. The minutes of the September 2018 meeting and the presentations made at both the September 2018 and April 2019 meetings are attached at Appendix D. The minutes of the April 2019 meeting are not available in time for this submission but will be submitted to the Commission during the anticipated comment period on this Annual Report recommendation.

B. Audit Report

Included in Appendix E is a copy of the TRS Fund Performance Status comparing the projected budgetary levels for the current program year with the actual results of operations for the period July 2018 through March 2019.

Appendices:

- Appendix A** Interstate TRS Fund 2018 Intrastate Rate and Minute Data for MARS Methodology (State Data Collection Form & Instructions)
- Appendix B** Interstate TRS Fund Annual Provider Information (Provider Data Collection Form & Instructions)
- Appendix C** Current Advisory Council Members
- Appendix D** TRS Council meeting Minutes of September 2018 and April 2019.
- Appendix E** TRS Fund Status Report through March 2019.
- Appendix F** PowerPoint Presentations offered at the Advisory Council Meetings are also available for inspection on the RL website www.rolkaloube.com.
- Appendix G** The 2018-2019 Rolka Loube Report

Exhibits:

- Exhibit 1-1** Displays TRS & STS data collected from states for the Interstate MARS rate calculation.
- Exhibit 1-2** Displays CTS data collected from states for the Interstate MARS rate calculation.
- Exhibit 1-3** IP CTS historical cost, Rate and demand data.
- Exhibit 1-3.1** --- IP CTS Revenue, Expense and Profit Estimates for Tariff Year 2017-2018 (REDACTED).
- Exhibit 1-3.2** --- IP CTS Cost Trend Data
- Exhibit 1-4** Displays IP CTS Historical and Projected Demand
- Exhibit 1-5** **2018 RSDR IP Relay Costs as Filed in 2019 (HIGHLY CONFIDENTIAL, NOT FOR PUBLIC INSPECTION).**
- Exhibit 2** Displays the proposed Interstate TRS Fund Size and Contribution Factor for the July 2019 through June 2020 Fund Year.
- Exhibit 3** Historical Contribution Base Data
- Exhibit 4** Erosion of 2018-2019 Contribution Base.