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May 6, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S W
Room TW-A235
Washington, D. C. 20554

RE: *Errata*, TRS Fund Administration
CC Docket No. 98-67

Dear Ms. Dortch:

In accordance with 47 C.F.R. § 64.604 (c)(5)(iii)(H), NECA submitted the Annual Submission of TRS Payment and Revenue Requirements for July 2003 – June 2004 on May 1, 2003. After the submission, an error was discovered in Exhibit 2, page 2 of 3, related to the Internet Protocol (IP) minutes projected for January 2004. Correcting this error causes an increase in the fund size requirement from \$131.7 million to \$132.4 million, and an increase in the contribution factor from 0.00170 to 0.00171. Attached is a copy of the corrected narrative and exhibits to replace Exhibit 2, pages 2 of 3 and 3 of 3, and Exhibit 4.

In accordance with the Commission's rules, a copy of this Errata has been filed electronically in the above-referenced docket.

Sincerely,

Enclosures

cc: Eric Einhorn, Wireline Competition Bureau
Sharon Webber, Wireline Competition Bureau
William Hill, Wireline Competition Bureau
Andy Firth, Wireline Competition Bureau
James Lande, Wireline Competition Bureau
Les Selzer, Wireline Competition Bureau
Tim Peterson, Office of the Managing Director
Margaret Egler, Consumer and Governmental Affairs Bureau
Warren O'Hearn, Consumer and Governmental Affairs Bureau
Thomas Chandler, Consumer and Governmental Affairs Bureau
Cheryl King, Consumer and Governmental Affairs Bureau
Greg Hlibok, Consumer and Governmental Affairs Bureau
Qualex International

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

In the Matter of:)
)
Telecommunications Services for)
Individuals with Hearing and) CC Docket 98-67
Speech Disabilities, and the)
Americans with Disabilities Act)
of 1990)

**Interstate Telecommunications Relay Services Fund
Payment Formula and Fund Size Estimate**

National Exchange
Carrier Association, Inc.
80 South Jefferson Road
Whippany, NJ 07981
May 1, 2003

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Individuals with Hearing and) CC Docket 98-67
Speech Disabilities, and the)
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**Payment Formula and Fund Size Estimate
Interstate Telecommunications Relay Services (TRS) Fund
for July 2003 through June 2004**

I. Introduction

The National Exchange Carrier Association, Inc. (NECA) submits the Telecommunications Relay Services (TRS) provider payment formulas, fund size estimate and carrier contribution factor for the period July 2003 through June 2004, in accordance with section 64.604 of the Federal Communications Commission's (FCC or Commission) rules.¹ NECA is a not-for-profit corporation responsible under Subpart G of the Commission's Part 69 rules for administering interstate access charge pools for participating local exchange carriers (LECs) and the TRS Fund.²

As described *infra*, based on cost and demand projections from the providers of the various TRS services, NECA is proposing a decrease for each of the per minute compensation levels for relay. However, because of projected increases in demand for the relay services, the funding requirement projection is significantly higher than the current funding period and, because of a reduction in the interstate revenue base used to

¹ 47 C.F.R. §64.604 (c)(5)(iii)(H).

² See Telecommunications Relay Services, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Third Report and Order, 8 FCC Rcd 5300 (1993) (TRS III). TRS III modified and adopted certain rules regarding TRS interstate shared funding that were proposed in an earlier Commission Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking, 8 FCC Rcd 1802 (TRS II). See Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Order on Reconsideration, Second Report and Order, and Further Notice of Proposed Rulemaking, 8 FCC Rcd 1802 (1993) (TRS II).

fund the program, NECA is seeking an increase to the carrier contribution factor from 0.00080 to 0.00171.

Upon approval by the Commission of the proposed carrier contribution factor of 0.00171, the fund size requirement of \$132.4 million, and the provider reimbursement rates for traditional TRS, Internet Protocol Relay Service (IP), Speech-to-Speech Service (STS) and Video Relay Service (VRS), NECA will begin billing carriers and distributing funds to relay service providers July 1, 2003.³ The proposed payment amounts are expected to remain in effect through June 30, 2004.

II. Interstate TRS Fund

The TRS Fund is designed to compensate eligible providers for the costs of furnishing interstate traditional TRS and STS, and intrastate and interstate VRS and IP.⁴ Fund distributions to providers are made on the basis of payment formulas initially computed by NECA in accordance with Commission rules and then approved or modified by the Commission. The 2003 - 2004 payment formula for traditional TRS and IP is based on an average of projected completed monthly interstate TRS minutes of use, including international minutes, and all projected completed monthly IP minutes, excluding international,⁵ and their projected costs.⁶ For STS, the 2003 – 2004 formula is

³ The Commission adopted shared funding as the method for interstate cost recovery in TRS II, proposing at that time that NECA be named administrator of the interstate TRS Fund. See TRS II at ¶¶ 2 and 27. TRS III designated NECA as administrator for a two-year period. See TRS III at ¶ 7. In its 1995 fund administrator order, the Commission extended NECA's term as administrator for four additional years until July 23, 1999. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, Memorandum Opinion and Order, 10 FCC Rcd 7223 (1995). In 1999, the Commission again extended NECA's term as administrator until July 25, 2003. See Appointment of the Telecommunications Relay Services (TRS) Fund Administrator and Composition of the TRS Advisory Committee, CC Docket No. 90-571, Memorandum Opinion and Order, 14 FCC Rcd 10553 (1999).

⁴ Eligible providers are defined as (1) TRS facilities operated under contract with and/or by certified state TRS programs pursuant to section 64.605; or (2) TRS facilities owned by or operated under contract with a common carrier providing interstate services pursuant to section 64.604; or (3) interstate common carriers offering TRS pursuant to section 64.604. See 47 C.F.R. § 64.604 (c)(5)(iii)(F).

⁵ In April 2002, The Commission clarified that IP Relay falls within the statutory definition of TRS, and therefore, such services are eligible to recover their costs from the interstate TRS fund. On an interim basis, the Commission allowed recovery of all costs of provided IP Relay from the interstate fund because, at this time, there is no automatic means to determine whether an IP Relay minute is intrastate or interstate. In its Second Further Notice of Proposed Rulemaking, the Commission requests comments on whether this interim measure should be permanent. See Provision of Improved Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, Petition for Clarification of WorldCom, Inc., CC Docket No. 98-67, Declaratory Ruling and Second Further Notice of Proposed Rulemaking, FCC 02-121 (rel. April 22, 2002).

⁶ The Commission defined payable (for purposes of interstate cost recovery) TRS minutes of use as minutes "for completed interstate TRS calls placed through the TRS center beginning after call set-up and concluding after the last message call unit". See 47 C.F.R. § 64.604 (c)(5)(iii)(E).

based on projected completed monthly interstate minutes of use and projected costs for 2003 – 2004. The formula for VRS is based on all projected completed monthly minutes of use and costs for 2003 and 2004.⁷ NECA's formula development is shown in Section III, infra.

The Commission's shared-funding mechanism for the Interstate TRS Fund ensures that the costs of meeting TRS obligations are borne equitably. The fund requires contributions from all interstate telecommunications common carriers, based on each carrier's percentage of end user interstate revenues obtained from the provision of certain interstate telecommunications services.⁸ The annual TRS funding period commences July 1 and ends June 30. Annual contributions are due July 26th; carriers who owe contributions of \$1,200 or more may pay in twelve equal monthly installments, due on the 26th of each month.

III. Cost and Formula Development

TRS providers continue to be a diverse group. Services are offered by: large interstate interexchange carriers, large and small local exchange carriers, and for-profit and not-for-profit organizations. Typically, TRS has been offered by common carriers under contracts to states, which may or may not have provided for interstate TRS prior to July 26, 1993 (the effective date for interstate TRS funding). Despite the variations in types and sizes of TRS operations, NECA has employed measures that bring consistency to the process of collecting and analyzing TRS data. These measures result in reliable estimates of the size of the fund and payment formulas that are reasonably accurate reflections of average costs to provide interstate traditional TRS, interstate STS, and intrastate and interstate VRS and IP nationwide.

⁷ Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67; Report and Order and Further Notice of Proposed Rulemaking, 15 FCC Rcd 5140 (2000) (March 6th Order), and Order on Reconsideration, 16 FCC Rcd 4054 (2001) at ¶ 24.

⁸ In its streamlined contributor reporting requirements order, the Commission adopted rules requiring every carrier providing interstate telecommunications services to contribute to the TRS Fund on the basis of its relative share of interstate end user revenues. *See* 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, Report and Order, 14 FCC Rcd 16602 (1999). These contributions are made by carriers offering interstate services including, but not limited to, cellular telephone and paging; mobile radio; operator services; personal communications service (PCS); access (including subscriber line charges); alternative access and special access; packet-switched; WATS; 800; 900; message telephone service; private line; telex; telegraph; video; satellite; intraLATA; international and resale services. *See* 47 C.F.R. § 64.604 (c)(5)(iii)(A).

TRS providers submitted to NECA certain cost and demand (minutes of use) data in response to a request mailed by NECA to all interstate TRS providers on November 22, 2002.⁹ While TRS providers typically are not subject to the Commission's Part 32 rules (Uniform System of Accounts), NECA requested that cost data be submitted using functional accounting guidelines based on the relevant Part 32 accounts to assure consistency among providers' reported data. NECA supplied TRS providers with the necessary account descriptions as a guide to reporting expense data.¹⁰

In the November 2002 data request, NECA requested cost and demand data on traditional TRS, IP, STS and VRS. From the resulting data submissions, NECA developed projections of total IP and interstate TRS costs, average costs per minute, TRS and IP demand, and the total TRS and IP fund requirement for July 2003 through June 2004. For STS, NECA developed projections of interstate costs, average cost per minute, demand, and the total STS fund requirement for the period. NECA also developed projections of total nationwide, intrastate and interstate VRS costs, average VRS cost per minute, intrastate and interstate VRS demand, and the VRS fund requirement for July 2003 through June 2004. Fund administration expenses, an allowance for uncollectibles, and a potential funding requirement were added to the result, producing the total projected interstate TRS and STS and intrastate and interstate VRS and IP fund size.

Cost data reported by TRS providers consisted of TRS actual costs for 2001, annualized actual costs for 2002, and estimated costs for 2003 and 2004. NECA analysis found some disparities between levels of expenses within account categories. NECA investigated these when the disparity between similarly configured providers seemed unusual, or when expenses fell out of range with similar reported expenses in general. Providers were contacted to resolve questions of data accuracy, potential errors or omissions, and other exceptions. Discrepancies were resolved before the data was used.

⁹ A copy of NECA's data request is included with this filing as Appendix A.

¹⁰ In TRS III the Commission directed the administrator to "fashion a form . . . consistent with Parts 32 and 36 procedures . . . to meet the needs of TRS providers who would otherwise not be subject to Part 32 . . ." (TRS III at ¶¶ 13-14, and 30). NECA's November data request (as shown in Appendix A) supplied thorough instructions, including detailed descriptions of accounts that closely track Part 32 definitions. NECA's review process showed that TRS providers followed these instructions. NECA concludes, therefore, that this process resulted in a collection of TRS cost and demand data consistent with the Commission's rules.

With two years experience in the provision of STS, providers are able to submit more comprehensive cost and demand data. STS appears to be moving toward the traditional TRS structure but NECA believes that the costs and demand are still different enough to warrant a separate rate structure for STS, particularly in light of the differing nature of the service provided by the communications assistant, i.e., communication of a speech conversation versus communication of a text conversation.

For the 2003 – 2004 fund period, new VRS providers submitted cost data and existing providers are implementing new VRS centers. VRS exhibits significant differences from the cost characteristics of traditional TRS services. Because of these differences, NECA continues to provide a separate per minute rate for VRS.

VRS utilizes a platform that is significantly different from the other relay services and is dependent upon sign language interpreters in lieu of communications assistants. Unlike traditional TRS, the Commission is providing funding from the interstate fund for VRS on an interim basis for calls that are jurisdictionally intrastate as well as interstate, and the service itself is not mandatory for TRS providers. This interim arrangement appears to have an impact on the level of per minute compensation. Providers of VRS have informed NECA that, because there is no “guarantee” that funding for the service will continue, equipment costs have not been amortized over a period of time. As a result, the per-minute compensation rate fully reflects the cost of new equipment added to provide this service. In addition, providers have included levels of profit that they believe are compensatory with the associated risk of providing a service that may not be funded (either totally or partially) in the future.

Since many TRS providers are not subject to the Commission's separations rules, they do not perform studies to allocate costs (and thus develop interstate costs) between the intrastate and interstate jurisdictions. In TRS III, the Commission observed that its Part 36 separations' rules prescribe "minutes of use" as the allocator for operator services (the telecommunications function most closely approximating the principle function of TRS).¹¹

NECA believes that minutes of use continue to be a practical and logical cost allocator for determining interstate TRS and STS costs as well as intrastate and interstate

¹¹ TRS III at ¶ 13.

VRS and IP. For interstate TRS and STS, once the relationship of a center's interstate minutes to its total minutes (interstate factor) is known, a usage-based factor may be applied to total center costs to determine the interstate center costs. This provides a reasonable and practical simulation of Part 36 separations procedures.¹² Demand data reported by TRS, STS, IP and VRS providers consisted of actual annual demand for 2001, annualized demand for 2002, and estimated demand for 2003 and 2004.

The demand data included local, intrastate, interstate and international usage. Minutes of use associated with calls placed to toll free numbers (i.e., 800/888) and 900 numbers are also included in the data projections.¹³ TRS providers have informed NECA that they are unable to identify the jurisdiction of calls placed to toll free numbers, because the calling party is not billed for these calls. As a result, for TRS and STS providers must estimate the interstate usage associated with these messages.

Recognizing that some portion of calls placed to toll free numbers is interstate in nature and eligible for reimbursement from the interstate fund, NECA sought guidance in establishing a methodology for all providers to use to determine their interstate toll free minutes from the Interstate TRS Advisory Council at its September 1996 meeting.

The Advisory Council recommended that, for the 1996 and future filings, NECA develop a factor for the TRS centers based on the relationship of TRS interstate and international billed minutes to TRS interstate, international, and intrastate toll minutes that are billed to the calling party. Based on this methodology, NECA developed a factor of 51 percent interstate to be applied to total toll free traditional TRS and STS minutes for July 2002 through June 2003.¹⁴ This surrogate was used by all TRS providers to report their interstate toll free minutes to the fund for compensation for the period.

To determine the interstate demand for the 2003 – 2004 funding period, NECA used the same methodology to develop the toll free allocation factor, however, NECA

¹² The costs of providing interstate TRS do not vary significantly from the costs of providing intrastate TRS. The service provided (i.e., transliteration of TTY text to speech and *vice versa*) is essentially the same, regardless of whether a call is made across the street or across the nation.

¹³ For most TRS providers, the data submitted in the 1996 TRS center data request represented their initial reporting of toll free minutes.

¹⁴ As was the case with the 1996 submission, this factor was developed using the data for large providers accounting for approximately two-thirds of the minutes processed by all TRS centers. The factor used in the 1998 submission was 64%.

noted a significant shift in projected interstate minutes from traditional TRS to IP. While it is likely that the jurisdiction of the calls has not changed, the art of developing an accurate factor becomes less accurate. Calls placed using Internet protocol exhibit many of the same characteristics to the relay provider as calls placed to toll free numbers. That is, the relay provider is unable to identify the jurisdiction of the call and the associated minutes of use. Because it is not possible to jurisdictionally identify IP minutes, it is not possible to develop a factor using the IP data either. NECA recommends freezing the factor at 51% interstate for the 2003 – 2004 funding period; the interstate minutes of use included herein reflect this methodology.

Since TRS providers have the same problem of being unable to identify the jurisdiction of calls placed to 900 numbers, NECA has used the same surrogate in estimating interstate usage associated with these messages. TRS and STS providers should use the factor of 51 percent interstate to report their 900 number call minutes to the fund for compensation.

No allocation of toll free or 900 minutes is necessary for VRS or IP; the interstate fund pays for all intrastate and interstate minutes.

A traditional TRS cost per minute of use for each center was calculated as follows: projected total 2003 TRS costs were divided by projected total 2003 TRS minutes, and projected total 2004 TRS costs were divided by projected total 2004 TRS minutes. Exhibit 1A displays these calculations. The resulting individual center cost per minute for 2003 and 2004 was multiplied by that center's estimated 2003 and 2004 interstate minutes (including international minutes, the interstate allocation of toll free and 900 number minutes), to produce interstate costs by TRS center for each year. Individual center interstate costs were summed, as were individual demand projections.

To calculate the cost of IP per minute for each center, projected total 2003 IP costs were divided by projected total 2003 IP minutes excluding general assistance and international minutes, and projected total 2004 IP costs were divided by projected total 2004 IP minutes excluding general assistance and international minutes. Those calculations are displayed in Exhibit 1B. Individual center costs were summed, as were individual demand projections. Traditional TRS and IP totals were then combined to determine the reimbursement rate for traditional TRS interstate and international minutes and all IP minutes, except international.

Because the fund year consists of the last six months of one year and the first six months of the following year, a national average cost per minute of use covering this twelve-month period had to be developed. Cost and demand totals for 2003 and 2004 were summed and then divided by two to obtain an average of the two years. Then, the average costs were divided by the average minutes to determine the cost per minute for July 2003 through June 2004. Exhibit 1C displays the formula and national average cost per minute for interstate traditional TRS and for IP, using the aggregate data assembled by NECA.¹⁵

The formula and national average cost for interstate STS was calculated in the same manner as interstate traditional TRS; exhibit 1D displays the formula and national average cost per minute for that service. For VRS, the methodology is basically the same but all projected costs and minutes are taken into account, not just interstate. Exhibit 1E displays the formula and national average cost per minute for VRS.

The average interstate TRS and all IP payment formula, based on demand and revenue requirement projections for July 2003 through June 2004, as calculated by NECA, is proposed to be \$1.359 per interstate minute of use, as compared to the present rate of \$1.528, a reduction in the per minute rate of approximately 11 percent. Nationwide interstate demand for traditional TRS and IP for the period July 2003 through June 2004 is projected to be 57.9 million minutes, an increase of 40 percent over the current funding year. Despite the eleven percent decrease in the per minute rate, the demand projected for the period July 2003 through June 2004 produces a funding requirement of \$78.7 million, an increase over the current fund requirement of approximately 25 percent.

For STS, the average payment formula is proposed to be \$2.445 a reduction of approximately 40 percent from the current per minute compensation level of \$4.045. Projected volumes of 138 thousand represent a reduction in projected demand of approximately 35 percent. The interstate STS revenue requirement is projected to be \$338 thousand for the period, some 65 percent less than the projected funding requirement for STS in the current fund year. The average payment formula for VRS is proposed to be \$ 14.644, approximately 14 percent lower than the current rate of \$17.044.

¹⁵ Exhibit 2 details actual fund performance and future performance projections based on actual performance.

However, projected volumes are 2.4 million minutes, more than double the projection for the current fund year. The resulting projected VRS revenue requirement is \$ 35.6 million, approximately twice the requirement for the current fund year.

NECA administrative expenses are estimated to be approximately \$550 thousand for the July 2003 – June 2004 funding period, including the TRS Advisory Council meeting costs. Prior to the 2000 – 2001 funding period, carriers paid their annual TRS contributions when they reported their revenue on the FCC Form 431. With the advent of the new revenue reporting form in 2000, the FCC Form 499A, NECA now bills carriers for their contributions to the TRS Fund. All NECA expenses associated with TRS are accounted for on a "keep-cost" basis and charged only to the TRS Fund.¹⁶ (NECA's annual expenses incurred for operation of the TRS Fund are summarized monthly for the period from April 2002 – March 2003 in Exhibit 3.)¹⁷ NECA's projection of interest on invested TRS funds for the July 2003 – June 2004 period is \$0.7 million.

Although NECA collects TRS providers' minute forecasts for the next two years and those forecasts are used to develop the rate calculation, NECA uses actual historical growth data to estimate the size of the interstate TRS Fund for traditional TRS. NECA assumes that historical growth rate is a more accurate forecast of traditional TRS 2003 - 2004 minutes and has used –0.012 percent decline per month for the traditional TRS 2003 - 2004 forecast. Even with the addition of two new relay service providers in late 2003, traditional TRS minutes continue to decline due to the use of new technologies (e.g., IP Relay, VRS, and non-relay technologies) by the hearing disabled community. IP minutes, on the other hand, are growing substantially. Because there is little historical data for IP, NECA used a combination of the growth in IP minutes since the inception of funding for the service in April 2002 and the providers' projections for 2003 and 2004 for the IP projection. IP growth is forecast to be 0.023 per month for the funding period.

¹⁶ NECA keeps account of its expenses using a Commission-approved Cost Allocation Manual (CAM). Direct and indirect TRS expenses incurred by NECA are separately identified according to CAM procedures. Interest Income associated with TRS is also separately identified. NECA's TRS expenses will be recovered only from the TRS Fund, and before TRS funds are disbursed. NECA files CAM revisions with the Commission to reflect TRS cost allocation procedures. *See* 47 C.F.R. § 64.604(c)(5)(iii)(H).

¹⁷ Included in the administrative expenses was some \$12,000 associated with the required audit of NECA's TRS operation performed by an external audit firm. NECA's administrative expense projection for the 2003 - 2004 fund includes projected expenses associated with this external audit requirement.

For STS for the 2003 – 2004 period, NECA is using the same growth rate, 0.0365 per month, used for 2002 – 2003. Growth is slow but appears steady in the late 2002 time period. NECA's forecast of 138 thousand minutes is about 52 thousand more than the providers' projection, but less than the 2002 – 2003 fund projection.

Because VRS has only one year's historical data available at this time, NECA used a combination of the providers' 2003 – 2004 forecasts and the 2002 growth to develop the fund size requirements for that service. NECA used a projected growth rate of 0.025 per month for VRS. VRS projected minutes for 2003 – 2004 increased significantly over the 2002 – 2003 projection. For most of 2002, two VRS providers offered the service. Two new providers have initiated service since December and three others provided projections for 2003 – 2004. Four centers projected in 2002 – 2003 have increased to at least 10 for 2003 – 2004. VRS costs make up 27 percent of the 2003 – 2004 total fund requirement, up from 19 percent for 2002 – 2003.

As detailed in Exhibit 4, the TRS Fund size including traditional TRS, IP, STS and VRS, NECA administrative expenses, and the allowance for uncollectibles is projected to be \$ 132.4 million for the July 2003 through June 2004 funding period. A potential funding requirement of \$6.4 million has been included to cover a pending petition for limited reconsideration filed with the Commission by one of the relay providers.¹⁸

To calculate the contribution factor for the TRS Fund, NECA uses the carriers' interstate and international end user revenue reported on the FCC Form 499-A annually on April 1 and provided to us by the Data Collection Agent. Industry reported interstate and international 2002 revenue of \$77.5 billion is 3 percent less than the 2001 revenue used to establish the current contribution base.

As part of the factor calculation, NECA reduces the funding requirement by the projected surplus in the fund for the current period. In 2002, the surplus amounted to \$26 million, reducing the requirement by almost 30 percent. At the end of the current funding period, because of significant growth in demand for IP and VRS, there is no substantive balance to reduce the 2003 – 2004 fund requirement.

¹⁸ Sprint filed a Petition for Limited Reconsideration on April 24, 2003, seeking reimbursement for IP relay minutes that it handled between June 2002 and the release on March 14, 2003 of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CC Docket No. 98-67, Order on Reconsideration, FCC 03-46, 68 FCC Rcd 18826 (2003).

With an eroding interstate revenue base, the absence of a fund balance, and the continuing significant growth in IP and VRS demand through 2004, the contribution factor has more than doubled. Dividing the fund requirement of \$ 132.4 million by end user revenues of \$77.5 billion produces a factor 0.00171, a little more than twice the current factor of 0.00080. Contribution factor development is also detailed in Exhibit 4.

NECA will continue to carefully monitor the demand for the various TRS services for which the Fund is responsible for reimbursement, and keep the TRS Advisory Council and the Commission informed of actual reported demand levels as compared to forecasts.

IV. Payment Amount Effective Period and Filing Schedule

The payment formulas that NECA files herein are proposed to become effective on July 1, 2003 for interstate traditional TRS and STS, and intrastate and interstate VRS and IP. The payment formulas will remain in effect through June 30, 2004. Exhibit 5 contains the schedule for monthly submission of minutes to NECA, and the disbursement of payment for those minutes.

V. Program Administration

A. Interstate TRS Fund Advisory Council Report

In January 1994, in compliance with section 64.604 of the Commission's rules, NECA formed the Interstate TRS Fund Advisory Council to advise it on interstate TRS cost recovery matters.¹⁹ 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 B, Exhibit 1 contains a listing of current Advisory Council members. 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

¹⁹ 47 C.F.R. § 64.604(c)(5)(iii)(H).

community.²⁰ This representative joined the Council in November 1999, increasing the membership to thirteen.

In 2002, the Advisory Council held meetings in April, June, and December. At the Council's April 23rd meeting in Washington, DC, NECA staff presented the proposed provider reimbursement rates and the fund size requirement for TRS, IP, STS and VRS and the carrier contribution factor to be filed on May 1, 2002 for the funding and reimbursement period of July 1, 2002 to June 30, 2003. The Council approved the filing.

At the June 27th meeting, also held in Washington, the Council discussed two issues: relay calls using wireless devices and IP cost recovery.

At the October 3rd meeting in Boca Raton, Florida, the Council approved the revisions to the TRS Center Data Request for distribution in December 2002, reviewed the IP Cost Recovery Guidelines that were subsequently filed on October 9th, agreed with the addition of international minutes to the monthly minute reports, and received an update on current FCC TRS activities.

Appendix B, Exhibit 2 contains meeting minutes for the April and October 2002 Council meetings.

B. Audit Report

NECA has, to date, conducted 26 audits of TRS providers. Three additional audits of TRS providers' operations will be performed in 2003.

On December 2, 2002, NECA submitted copies of the financial statements of the TRS Fund for the ninth year of operation, together with reports from an independent certified accounting firm in accordance with sections 64.604 (c)(5)(iii) (D) and (H) of the Commission's rules.²¹

The audit of the financial statements for the tenth year of TRS fund operation will commence mid-September 2003. NECA anticipates submission of audited financial statements to the Commission on December 1, 2003.

²⁰ 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).

²¹ 47 C.F.R. § 64.604 (c)(5)(iii)(D) and (H).

VI. Exhibits

This section contains the exhibits referenced previously in this filing.

Exhibit:

1A Displays calculations of TRS cost per minute of use for each center and projected interstate TRS costs by center for 2003 and 2004 using the aggregate data assembled by NECA.

1B Displays calculations of IP cost per minute of use for each center and projected IP costs by center for 2003 and 2004 using the aggregate data assembled by NECA.

1C Displays calculations of the payment formula and traditional TRS and IP national average rate, using the aggregate data assembled by NECA, for July 2003 through June 2004.

1D Displays calculations of Speech to Speech (STS) cost per minute of use for each center and projected interstate STS costs by center for 2003 and 2004, and calculations of the national interstate average rate for July 2003 through June 2004 using the aggregate data assembled by NECA.

1E Displays calculations of Video Relay Service (VRS) cost per minute of use for each center and projected VRS costs by center for 2003 and 2004, and calculations of the national average rate for July 2003 through June 2004 using the aggregate data assembled by NECA.

2 Displays actual Fund performance and projections for the funding period 1993 through June 2004. Each annual period for funding includes twelve monthly increments. In 2000, the period changed from April through the following March to July through the following June. Separate pages, 2, 2A and 2B, display TRS and IP, STS and VRS fund requirements respectively.

- 3 Displays month by month expenses incurred by NECA to administer the TRS Fund.
- 4 Displays total TRS and IP, STS and VRS funding requirements for the period July 2003 through June 2004 and the carrier contribution factor calculation.
- 5 Displays the providers' schedule for reporting interstate TRS, interstate STS and intrastate and interstate VRS and IP minutes of use to NECA, and the schedule for disbursing associated payments for July 2003 through June 2004 For the IP projection,.

**FUND REQUIREMENTS FOR JULY 26, 1993 THRU JUNE 30, 2004
FOR TRADITIONAL TRS INTERSTATE AND IP MINUTES**

Date	Totals	Actual Reported Minutes	Interstate Minutes (IS)	Toll Free Minutes (TF)	900 Min.	Internet Minutes (IP)	IS+TF+900+IP Minutes	Disbursements
1993-1995	39,720,621	39,720,621						\$60,425,008
1996	26,130,966	26,130,966	5,297,804	4,162,226			9,460,030	\$36,034,602
1997-1999	96,750,889	96,750,889	48,719,313	48,031,576			96,750,889	\$114,861,282
2000	38,366,793	38,366,793	19,250,648	19,114,139	2,006		38,366,793	\$49,186,229
Jan 2001		3,536,836	1,778,053	1,758,418	365		3,536,836	\$4,696,918
Feb		3,044,336	1,529,537	1,514,308	491		3,044,336	\$4,042,878
Mar		3,401,631	1,703,712	1,697,456	463		3,401,631	\$4,517,366
Apr		3,265,985	1,737,127	1,528,457	401		3,265,985	\$4,337,228
May		2,904,828	1,307,577	1,595,836	1,415		2,904,828	\$3,857,612
June	18,941,170	2,787,554	1,231,671	1,555,384	499		2,787,554	\$3,701,872
7/00-6/01	38,131,275							
July		2,888,847	1,230,081	1,657,221	1,545		2,888,847	\$3,781,501
Aug		2,910,131	1,175,628	1,734,005	498		2,910,131	\$4,059,633
Sep		2,613,840	1,139,561	1,473,562	717		2,613,840	\$3,646,307
Oct		2,820,873	1,120,557	1,699,715	601		2,820,873	\$3,935,118
Nov		2,713,440	1,108,473	1,604,482	485		2,713,440	\$3,785,249
Dec 2001	16,642,475	2,695,344	1,147,973	1,546,822	549		2,695,344	\$3,760,005
1/01-12/01	35,583,645							
Jan 2002		2,896,590	1,133,465	1,762,683	442		2,896,590	\$4,040,743
Feb		2,603,678	1,007,123	1,596,234	321		2,603,678	\$3,632,131
Mar		2,827,797	1,148,496	1,679,085	216		2,827,797	\$3,944,777
Apr		2,681,529	1,049,235	1,631,982	312		2,681,529	\$3,740,733
May		2,738,250	1,118,776	1,619,212	262		2,738,250	\$3,819,859
June 2002	16,904,908	3,157,064	1,019,998	1,426,561	151	710,354	3,157,064	\$4,404,104
7/01-6/02	33,547,383							
July 2002		3,374,214	1,070,122	1,329,367	287	974,438	3,374,214	\$4,976,535
Aug		3,545,921	1,029,672	1,301,612	229	1,214,408	3,545,921	\$5,418,167
Sept		3,432,585	969,050	1,214,787	161	1,248,587	3,432,585	\$5,244,990
Oct		4,287,189	1,186,240	1,581,334	287	1,519,328	4,287,189	\$5,809,661
Nov		3,840,829	1,011,637	1,180,742	156	1,648,294	3,840,829	\$5,868,787
Dec 2002	22,767,003	4,286,265	1,057,876	1,204,059	106	2,024,224	4,286,265	\$6,549,413
1/02-12/02	39,671,911							
Jan 2003		4,881,357	1,013,405	1,338,161	286	2,529,505	4,881,357	\$7,458,713
Feb		4,814,194	912,444	1,178,606	237	2,722,907	4,814,194	\$7,356,088

**FUND REQUIREMENTS FOR JULY 26, 1993 THRU JUNE 30, 2004
FOR TRADITIONAL TRS INTERSTATE AND IP MINUTES**

Date	Projected Minutes	Projected Interstate	Projected Toll Free	Proj. 900	Projected Internet	Total Projected	Projected Payment Obligations
	(Growth rate: -- .012/mo.)				Growth Rate: .023/mo		
Mar	4,911,313	1,001,244	1,322,103	283	2,587,684	4,911,313	\$7,504,487
Apr	4,942,947	989,229	1,306,238	279	2,647,200	4,942,947	\$7,552,822
May	4,976,283	977,358	1,290,563	276	2,708,086	4,976,283	\$7,603,761
June 2003	29,537,445	5,011,351	1,275,076	273	2,770,372	5,011,351	\$7,657,344
7/02-6/03	52,304,448						
Date	Projected Minutes	Projected Interstate	Projected Toll Free	Proj. 900	Projected Internet	Total Projected	Projected Payment Obligations
	(Growth rate: -- .012/mo.)				Growth Rate: .023/mo		
July 2003	4,636,078	954,043	1,259,775	269	2,421,991	4,636,078	\$6,300,430
Aug	4,665,215	942,594	1,244,658	266	2,477,697	4,665,215	\$6,340,027
Sept	4,695,952	931,283	1,229,722	263	2,534,684	4,695,952	\$6,381,798
Oct	4,728,314	920,108	1,214,965	260	2,592,982	4,728,314	\$6,425,779
Nov	4,762,329	909,066	1,200,386	257	2,652,620	4,762,329	\$6,472,005
Dec 2003	28,285,910	4,798,023	1,185,981	253	2,713,630	4,798,023	\$6,520,513
1/03-12/03	57,823,355						
Jan 2004	4,835,423	887,380	1,171,749	250	2,776,044	4,835,423	\$6,571,340
Feb	4,874,560	876,731	1,157,688	247	2,839,893	4,874,560	\$6,624,527
Mar	4,915,461	866,210	1,143,796	244	2,905,210	4,915,461	\$6,680,112
Apr	4,958,158	855,816	1,130,071	242	2,972,030	4,958,158	\$6,738,137
May	5,002,681	845,546	1,116,510	239	3,040,387	5,002,681	\$6,798,644
June 2004	29,635,347	5,049,063	1,103,112	236	3,110,316	5,049,063	\$6,861,676
7/03-6/04	57,921,257						
Totals	334,048,245	57,921,257	10,722,333	3,026	33,037,484	57,921,257	\$78,714,988
	7/93 - 6/04	7/03 - 6/04					

TRS FUND PERFORMANCE AND PROJECTIONS
(July 26, 1993 thru June 30, 2004)

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
1993 Totals	\$19,152,480	\$17,349,362	\$16,850	\$1,819,968	\$490,356	\$66,898	\$9,860,160	\$5,529,230
1994 Totals	\$31,532,185	\$32,111,847	\$8,415	\$1,248,721	\$435,377	\$797,267	\$26,830,588	\$26,462,271
1995 Totals	\$19,770,711	\$20,818,552	\$18,214	\$219,094	\$284,535	\$1,004,835	\$23,734,261	\$24,163,682
1996 Totals	\$26,258,425	\$24,631,915	\$4,051	\$1,849,655	\$328,700	\$624,800	\$36,034,602	\$33,124,807
1997 Totals	\$48,755,747	\$49,581,125	\$36,855	\$1,061,132	\$298,800	\$781,500	\$36,689,287	\$36,110,944
1998 Totals	\$41,615,847	\$40,668,284	\$32,048	\$2,040,743	\$388,500	\$1,355,000	\$38,318,914	\$38,993,717
1999 Totals	\$38,745,304	\$39,871,369	\$33,129	\$947,807	\$348,100	\$1,306,400	\$43,349,531	\$40,028,914
2000 Totals	\$42,563,365	\$41,432,059	\$144,878	\$2,223,991	\$464,400	\$1,724,900	\$48,251,759	\$45,832,004
1/01	4,172,253	4,489,911	13,850	1,920,183	37,000	142,400	5,240,357	4,133,558
2/01	4,153,477	1,467,340	274,259	4,880,579	34,600	88,700	5,272,549	4,149,489
3/01	4,244,954	7,123,696	40,378	2,042,215	31,700	168,900	5,304,976	4,696,918
4/01	4,147,052	4,344,770	41,667	1,886,164	38,700	52,300	5,337,640	4,045,233
5/01	4,249,468	6,024,582	400	1,114,450	45,100	81,900	5,128,874	4,530,583
6/01	4,261,379	4,179,363	40,777	234,243	12,700	76,100	5,168,242	4,372,895
7/01	15,438,131	5,514,744	52,635	10,210,265	69,900	74,800	5,208,095	3,898,794
8/01	3,391,994	9,955,757	0	3,646,502	106,200	92,000	5,186,391	3,740,816
9/01	3,703,456	4,340,122	608	3,010,444	33,600	91,600	4,716,301	3,801,180
10/01	3,833,256	4,215,841	18,926	2,646,785	31,500	80,800	5,000,737	4,076,822
11/01	4,073,102	3,803,238	2,203	2,918,852	22,800	67,600	5,044,152	3,661,286
12/01	4,068,331	4,664,370	2,328	2,325,141	63,600	62,700	5,093,750	3,957,857
2001 Totals	\$59,736,853	\$60,123,734	\$488,031	\$2,325,141	\$527,400	\$1,079,800	\$61,702,063	\$49,065,431
1/02	4,624,260	4,804,730		2,144,671	24,500	60,000	4,403,105	3,807,991
2/02	4,221,299	4,505,791	160,259	2,020,438	24,500	53,100	4,440,844	3,784,268
3/02	4,148,898	4,488,175	837	1,681,998	59,000	60,100	4,478,941	4,133,682
4/02	4,196,983	3,939,021	3,953	1,943,913	27,500	58,100	4,517,410	3,785,441
5/02	3,899,265	4,127,880	1,664	1,716,962	50,200	59,500	5,033,110	3,934,099
6/02	4,126,138	4,097,222	16	1,745,894	34,100	54,600	5,076,228	6,012,807
7/02	18,062,296	11,785,249	6,446	8,029,387	37,200	56,700	5,119,756	5,338,790
8/02	4,081,020	8,139,624		3,970,783	75,200	68,200	5,576,577	4,753,840
9/02	3,743,989	5,096,364	1,338	2,619,746	43,100	67,400	6,753,566	6,006,073
10/02	4,816,022	4,205,735	25	3,230,058	72,500	68,100	6,761,290	6,169,782
11/02	4,449,936	4,948,321	214,690	2,946,363	42,250	56,750	6,768,903	5,885,236
12/02	3,821,813	4,663,119	4,010	2,109,067	48,200	49,400	6,776,608	7,395,576
2002 Totals	\$64,191,919	\$64,801,231	\$393,238	\$2,109,067	\$538,250	\$711,950	\$65,706,338	\$61,007,585

TRS FUND PERFORMANCE AND PROJECTIONS
(July 26, 1993 thru June 30, 2004)

Date	Receivables	Collections	Refunds	Receivables Due	Expenses	Interest Income	Payment Obligations	Disbursements
1/03	4,230,840	3,830,808	2,207	2,511,306	25,300	46,500	6,784,409	6,653,015
2/03	4,323,751	4,148,381	157,478	2,844,154	27,700	39,200	6,792,308	7,215,158
3/03	4,171,287	4,805,330	8,106	2,218,217	26,100	38,000	6,800,308	8,245,028
4/03	4,217,263 *	3,217,740 *	*	3,217,740 *	28,050 *	64,000 *	6,808,414	8,122,218
5/03	4,217,263 *	3,717,502 *	503,202 3	4,220,704 *	51,204 *	64,000 *	10,255,358 1	10,255,358 1
6/03	4,217,263 *	4,218,983 *	*	4,218,983 *	34,782 *	64,100 *	10,372,850 1	10,372,850 1
7/03	35,298,263 *	19,758,623 *	*	19,758,623 *	37,944 *	64,000 *	10,494,675 1	10,494,675 1
8/03	8,824,566 *	14,291,595 *	*	14,291,595 *	75,200 *	64,000 *	10,620,943 1	10,620,943 1
9/03	8,824,566 *	11,558,080 *	*	11,558,080 *	43,100 *	64,100 *	8,901,067 2	8,901,067 2
10/03	8,824,566 *	10,191,323 *	*	10,191,323 *	72,500 *	64,000 *	9,005,949 2	9,005,949 2
11/03	8,824,566 *	9,507,945 *	*	9,507,945 *	42,250 *	64,000 *	9,114,633 2	9,114,633 2
12/03	8,824,566 *	9,166,255 *	*	9,166,255 *	48,200 *	64,100 *	9,227,324 2	9,227,324 2
2003 Totals	\$104,798,760 *	\$98,412,565 *	\$670,993 *	\$9,166,255 *	\$512,330 *	\$700,000 *	\$105,178,237 *	\$108,228,217 *
1/04	8,824,566 *	8,995,411 *	*	8,995,411 *	25,300 *	\$58,333 *	9,343,767 2	9,343,767 2
2/04	8,824,566 *	8,909,988 *	*	8,909,988 *	27,700 *	\$58,333 *	9,464,384 2	9,464,384 2
3/04	8,824,566 *	8,867,277 *	*	8,867,277 *	26,100 *	\$58,333 *	9,589,123 2	9,589,123 2
4/04	8,824,566 *	8,845,922 *	*	8,845,922 *	28,254 *	\$58,333 *	9,718,078 2	9,718,078 2
5/04	8,824,566 *	8,835,244 *	*	8,835,244 *	26,622 *	\$58,333 *	9,851,341 2	9,851,341 2
6/04	8,824,566 *	8,829,905 *	*	8,829,905 *	28,611 *	\$58,333 *	9,989,002 2	9,989,002 2
7/04	*	4,414,952 *	*	4,414,952 *	52,228 *	*	10,131,149 2	10,131,149 2
8/04	*	2,207,476 *	*	2,207,476 *	*	*	10,277,870 2	10,277,870 2
2004 Totals	\$52,947,396	\$59,906,175		\$2,207,476	\$214,815	\$349,998	\$78,364,714	\$78,364,714
Totals	\$550,068,992	\$549,708,218	\$1,846,702	\$2,207,476	\$4,831,563	\$10,503,348	\$574,020,454	\$546,911,516
(July 1993 thru June 2004)								
* Projected								
Fund Balance Calculation		1 Projected Payment Obligation/Disbursement estimates for May 2003 thru August 2003 calculated using \$1.528/interstate TRS and per intrastate and interstate IP minute, \$4.045/interstate STS minute, and \$17.044/intrastate & interstate VRS minute including Internet VRS minutes.						
Total Fund	\$550,068,992	2 Projected Payment Obligation/Disbursement estimates for Sept 2003 thru August 2004 calculated using \$1.359/interstate TRS minute and per intrastate and interstate IP TRS minute, \$2.445/interstate STS minute, and \$14.644/intrastate & interstate VRS minute including VRS using Internet access.						
NECA Expenses	(\$4,831,563)	3 COMSAT refund, directed by FCC Order 03-92, CC Docket No. 90-571, released April 24, 2003.						
Interest Income	\$10,503,348	4 If potential funding requirement \$6.4 million disbursed, balance is reduced to \$2,385,713.						
Payments	(\$546,911,516)							
Fund Balance	4 \$8,829,261							

INTERSTATE TRS FUND REQUIREMENTS
 (July 2003 thru June 2004)

	Interstate TRS & All IP except int'l	Interstate STS	All VRS
1. Proposed Reimbursement Rate	\$1.359	\$2.445	\$14.644
2. Projected Minutes	57,921,257	138,185	2,428,348
3. Fund Size			
a. Projected Reimbursement	\$78,714,988	\$337,862	\$35,560,728
b. Uncollectible Allowance	\$7,871,499	\$33,786	\$3,556,073
c. Fund Requirement	\$86,586,487	\$371,649	\$39,116,801
4. TRS/IP/STS/VRS Fund Requirement	\$126,074,937		
a. NECA Administrative Costs	\$550,000		
b. Interest Income	(\$700,000)		
c. Potential funding requirement	\$6,443,548		
d. Total Fund Requirement	\$132,368,485		
5. Total 2002 End User IS Revenues Reported on FCC Form 499-A	\$77,514,120,092		
6. Projected Contribution Factor (Item 5/Item6)	0.00171		

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 6th day of May 2003, by electronic delivery to the persons listed below.

/s/ Maripat Brennan

Maripat Brennan

The following parties were served:

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