

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

In the Matter of: )  
)  
Telecommunications Services for )  
Individuals with Hearing and ) CG Docket 03-123  
Speech Disabilities, and the )  
Americans with Disabilities Act )  
of 1990 )

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

**Errata**

On May 1, 2006, the National Exchange Carrier Association, Inc. (NECA), as Administrator of the interstate Telecommunications Relay Services (TRS) fund, submitted proposed provider payment formulas, a fund size estimate, and a carrier contribution factor for the period July 2006 through June 2007.<sup>1</sup>

On further review of the filing, NECA has found that an incorrect factor for determining cash working capital allowances was applied to the proposed Traditional TRS, Internet Protocol (IP) and Video Relay Service formulas.<sup>2</sup> A factor of 1.04 percent was inadvertently applied to the cost data for each of these services instead of the 1.4 percent described in the text of the filing.<sup>3</sup>

Based on the application of the correct allowance for cash working capital factor, the proposed formula amounts for these services should be as follows:

Traditional TRS	\$1.262 per minute
IP Relay	\$1.223 per minute
Video Relay Service	\$6.138 per minute

Application of the correct factor to these formulas will cause the projected fund size to increase by approximately \$1.5 million and will require an adjustment in the proposed factor from .00492 to .00494.

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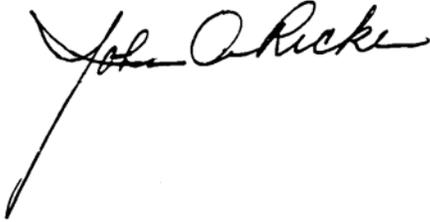
<sup>1</sup> *Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, CG Docket No. 03-123, (filed May 1, 2006) (2006 TRS Formula Filing).*

<sup>2</sup> The correct factor was applied to the proposed Speech-to-Speech formula.

<sup>3</sup> *2006 TRS Formula Filing* at n. 9.

Revised pages 2, 12, 15, 20, and 21, as well as revised Exhibits 1A (TRS Formula), 1B (IP Relay Formula), 1D (VRS Formula), and 4(Funding Requirements) are appended to this errata. Kindly substitute these pages for the originals.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Rucke". The signature is written in a cursive style with a long, sweeping underline that extends to the left and then curves back up to the start of the name.

cc: Thomas Chandler, Consumer & Governmental Affairs Bureau  
Jay Keithley, Consumer & Governmental Affairs Bureau  
Gregory Hlibok, Consumer & Governmental Affairs Bureau  
Andrew Mulitz, Consumer & Governmental Affairs Bureau  
James Lande, Wireline Competition Bureau  
Mark Stephens, Office of the Managing Director  
Michael Smith, Office of the Managing Director  
Best Copy & Printing, Inc.

Collectively, TRS component services are projected to require funding of \$429.8 million for 2006-2007. This filing proposes to use \$40 million of anticipated surplus from the current funding year as an offset to the 2006 – 2007 funding requirement, leaving a funding requirement of \$387.8 million on which to base the proposed contribution factor. Based on calendar year 2005 interstate and international revenues totaling \$78.5 billion, the proposed contribution factor is 0.00494, a 12.4% reduction to the current contribution factor of 0.00564 for 2005 - 2006. When applied to carriers' 2005 end-user billed interstate and international revenues, the proposed contribution factor, coupled with the \$40 million current surplus applied to the 2006 – 2007 funding year, will produce the required fund size of \$429.8 million.

Upon approval by the Commission of the proposed contribution factor, fund size requirement, and reimbursement rates, the Administrator will begin billing carriers and disbursing funds to relay service providers for the 2006 – 2007 funding period in July 2006.

## **2. Interstate TRS Fund**

The TRS Fund is designed to compensate eligible relay service providers for the reasonable costs of furnishing interstate traditional TRS and STS, and both intrastate and interstate VRS and IP.<sup>2</sup> Fund distributions to providers are made on the basis of payment formulas initially computed by the Administrator in accordance with Commission rules, as approved or modified by the Commission.

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<sup>2</sup> 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).

per minute for 2006 and 2007 was multiplied by that provider's estimated 2006 and 2007 interstate minutes (including international minutes and the interstate allocation of toll free and 900 number minutes), to produce interstate costs by TRS provider for each year. The annual interstate cost and demand projections for each year were averaged to represent the funding year. The resulting per minute amount was increased by 1.4% to adjust for cash working capital (CWC). To maintain the confidentiality of the TRS providers' data, the individual calculations are not included in the proposed formula exhibits. Only the total cost and demand projections and the calculation of the average cost per interstate TRS minute are shown.<sup>19</sup>

TRS providers' minute forecasts for the next two years were used to calculate the reimbursement rate. With more than ten years of historical growth available on traditional TRS, actual growth data can be used to estimate the size of the traditional TRS portion of the interstate fund. Interstate captioned telephone VCO minutes, initially reimbursed in July 2004, are included with traditional TRS minutes for this purpose.

In past years, a percentage growth rate was calculated based on year-over-year increases or decreases in minutes. This year, however, as suggested in comments by AT&T,<sup>20</sup> average daily minutes of use has been incorporated into the month-over-month growth methodology

The traditional TRS forecast for 2006 – 2007 is based on data from the most recent thirteen months of actual minutes reported by providers. These data were used to develop an average minutes of use per day for each month. The change in average minutes per day,

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<sup>19</sup> See Exhibit 1A for TRS rate development.

<sup>20</sup> Comments of AT&T, CC Docket 98-67 (May 13, 2005) at n. 4.

minutes, except international. The resulting per minute amount was increased by 1.4% to adjust for CWC.

The 2006 – 2007 demand forecast focused on the thirteen-month period between February 2005 and February 2006 because it provided twelve data points of average daily usage on which to base the future projections. As described in Section 4.b) *supra*, the average daily growth projection methodology was utilized. Based on this data, the average daily minute growth for the period was 361. IP relay minutes were grown by that average daily amount multiplied by the number of days in each month, using February 2006 as the base, from March 2006 through June 2007, to arrive at a total number of minutes for the July 2006 – June 2007 funding period of 75.6 million.<sup>27</sup>

#### **d) STS Formula Development**

The FCC authorized reimbursement of interstate STS minutes, beginning in March 2001.<sup>28</sup> Because of the different characteristics of the service provided by the Communications Assistant (CA) when handling a STS call, i.e., communication of a speech conversation versus communication of a text conversation, a separate reimbursement rate has been developed for STS since its inception. In addition to excluding marketing and advertising costs, two providers had projected per minute costs that were well in excess of the projected cost per minute of the other providers, primarily the result of significantly higher interpreter costs. These providers' data

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<sup>27</sup> See Exhibit 2, page 2B of 4, for development of the IP forecast.

<sup>28</sup> See 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 2000 Improved TRS Order*).

2006 through June 2007 of \$6.050. Application of the 1.4% CWC factor to the average cost per VRS minute produces a proposed per-minute reimbursement rate for the funding period of \$6.138.

As described above,<sup>36</sup> the projected VRS demand for the 2006-2007 funding year is 51.7 million minutes.

## **5. Contribution Factor Calculation**

In addition to the funding requirements for the four relay services, administrative expenses of approximately \$800 thousand, including TRS Council meeting costs and the cost of an annual audit by an independent auditor, are included in the total fund requirement. Interest on invested funds for the July 2006 – June 2007 period is projected to be \$2.8 million.

It is anticipated that there will be a surplus of approximately \$64 million at the end of the current funding year, i.e., after June 2006 minutes are paid in July. Based on guidance from the TRS Advisory Council, the Administrator proposes to apply \$40 million of the surplus to offset the 2006 -2007 funding requirement. The remaining \$24 million of the projected surplus will be retained in lieu of adding a safety margin to the projected reimbursement. This is believed to be adequate to protect the fund in the event that actual minute growth exceeds forecast levels, or if the contribution base in July, at the time of carrier billing, turns out to be less than the April base used to calculate the contribution factor, as was the case in 2005.

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<sup>36</sup> See *supra* at 19.

As detailed in Exhibit 4, the TRS Fund size including traditional TRS, IP, STS and VRS, administrative expenses, with offsets for current surplus and projected interest income, is projected to be \$387.8 million for the July 2006 – June 2007 funding period.

The proposed contribution factor for the TRS Fund was calculated by using the carriers' 2005 end-user interstate and international revenues reported on the FCC Form 499A on April 1, 2006, as provided by USAC. Dividing the fund requirement of \$387.8 million by the interstate and international end-user carrier revenues of \$78.5 billion produces a factor of 0.00494.

The Administrator will continue to monitor demand for the various relay services carefully, and keep the TRS Advisory Council and the Commission informed of actual reported demand levels as compared to forecasts.

## **6. Program Administration**

### **a) Interstate TRS Fund Advisory Council Report**

Pursuant to section 64.604 of the Commission's rules, the Interstate TRS Fund Advisory Council advises the Administrator on interstate TRS cost recovery matters.<sup>37</sup> 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.<sup>38</sup>

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<sup>37</sup> 47 C.F.R. § 64.604(c)(5)(iii)(H).

<sup>38</sup> 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).

**TRS Provider 2006 - 2007 Rate Calculation**  
**Traditional TRS Service**  
**Revised**

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)	Interstate Conversation Minutes (C)	Interstate Costs \$\$\$ (D)
<b>2006 TOTALS</b>	93,583,306	\$112,284,455	17,855,359	\$21,834,860
<b>2007 TOTALS</b>	82,206,380	\$103,203,794	15,358,937	\$19,489,920
<b>ANNUAL TOTALS</b>	175,789,686	\$215,488,249	33,214,297	\$41,324,780
<b>Average Cost per Interstate TRS Minute</b>		= $\frac{\text{Total Interstate Costs (D)}}{\text{Total Interstate Minutes (C)}}$		\$1.244

Average Cost Per Minute\*Allowance for Cash Working Capital (1.4%) = \$ 1.262

**REIMBURSEMENT RATE FOR TRADITIONAL INTERSTATE TRS**  
**FOR JULY 2006 - JUNE 2007 = \$1.262**

**TRS Provider 2006 - 2007 Formula Calculation  
Internet Protocol Relay Service  
Revised**

	Total Minutes Excluding General Assistance Minutes (A)	Total Costs \$\$\$ (B)	Total Minutes Excluding International Minutes (C)	IP Costs \$\$\$ (D)
<b>2006 TOTALS</b>	93,960,242	\$111,635,439	93,724,933	\$111,347,836
<b>2007 TOTALS</b>	100,887,351	\$123,412,755	100,632,459	\$123,092,267
<b>ANNUAL TOTALS</b>	194,847,592	\$235,048,194	194,357,391	\$234,440,103
<b>Average Cost per IP Minute</b>	= $\frac{\text{IP Costs (D)}}{\text{Total Minutes excl. Gen'l Assist. \& Intern'l Minutes (C)}}$			<b>\$1.206</b>

Average Cost Per Minute\*Allowance for Cash Working Capital (1.4%) = \$ 1.223

**REIMBURSEMENT RATE FOR IP Relay  
FOR JULY 2006 - JUNE 2007 = \$1.223**

**TRS Provider 2006 - 2007 Rate Calculation  
Video Relay Service  
Revised**

	<u>2006</u>		<u>2007</u>		<u>Total</u>
Provider Reported Costs	\$ 238,228,341.55	\$	269,960,720.33	\$	508,189,061.88
Provider Reported Demand	36,370,759		37,122,037		73,492,796
 <u>Exclusions:</u>					
Cost	\$ (21,269,899.00)	\$	(37,915,149.27)	\$	(59,185,047.55)
Demand	1,040,673		1,086,673		2,127,346
 <u>Additions:</u>					
Cost					\$179,122,354
Demand					32,409,278
Revised Cost				\$	628,126,368.03
Revised Demand					103,774,728
				\$	6.0528
Average Cost Per VRS Minute*Allowance for Cash Working Capital (1.4%) =					<b>\$6.138</b>

**REIMBURSEMENT RATE FOR VIDEO RELAY MINUTES  
FOR JULY 2006 - JUNE 2007 = \$6.116**

**INTERSTATE TRS FUND REQUIREMENTS**  
**(July 2006 thru June 2007)**

	<b>Interstate TRS</b>	<b>IP (excl. Int'l)</b>	<b>Interstate STS</b>	<b>All VRS</b>
<b>1. Proposed Reimbursement Rate</b>	<b>\$1.262</b>	<b>\$1.223</b>	<b>\$1.352</b>	<b>\$6.138</b>
<b>2. Projected Minutes</b>	<b>15,782,923</b>	<b>75,614,576</b>	<b>158,808</b>	<b>51,678,978</b>
<b>3. Fund Size</b>				
a. Projected Reimbursement	<b>\$19,918,049</b>	<b>\$92,476,626</b>	<b>\$214,709</b>	<b>\$317,205,566</b>
<b>4. TRS/IP/STS/VRS Fund Requirement</b>	<b>\$429,814,950</b>			
a. NECA Administrative Costs	<b>\$800,000</b>			
b. Interest Income	<b>(\$2,800,000)</b>			
c. 2005-2006 Surplus to Offset Fund Requirement	<b>(\$40,000,000)</b>			
d. <b>Total Fund Requirement</b>	<b>\$387,814,950</b>			
<b>5. 2005 End User IS Revenues</b>	<b>\$78,500,408,975</b>			
<b>6. Projected Contribution Factor (Item 4c/Item 5)</b>	<b>0.00494</b>			