



80 South Jefferson Road
Whippany, NJ 07981

John A Ricker
Director- Universal
Service Support
PH 973 884-8086
FX 973 884-8469
jricker@neca.org

March 30, 2010

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A235
Washington, DC 20554

RE: TRS Fund Administration
CG Docket No. 10-51
CG Docket No. 03-123

Dear Ms. Dortch:

Attached is the National Exchange Carrier Association, Inc.'s Supplement to the Annual Submission of TRS Payment and Revenue Requirements for July 2009-June 2010.

In accordance with the Commission's rules, this Supplement has been filed in the above-reference docket.

Sincerely,

A handwritten signature in black ink that reads "John A. Ricker". The signature is written in a cursive, flowing style with a long, sweeping underline that extends to the left.

Enclosures

cc: Joel Gurin, Consumer and Government Affairs Bureau
Mark Stone, Consumer and Government Affairs Bureau
Diane Mason, Consumer and Government Affairs Bureau
James Lande, Wireline Competition Bureau
Mark Stevens, Office of the Managing Director
Michael Smith, Office of the Managing Director
David L, Hunt, Inspector General
Best Copy and Printing, Inc.

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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

Interstate Telecommunications Relay Service Fund
Supplement to Annual Filing for TRS Contribution Factor Decrease

National Exchange
Carrier Association Inc,
80 S. Jefferson Rd.
Whippany, NJ 07981
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Interstate Telecommunications Relay Service Fund
Supplement to Annual Filing for TRS Contribution Factor Decrease

I. Introduction

The National Exchange Carrier Association, Inc. (NECA), as Interstate Telecommunications Relay Services (TRS) Fund Administrator (Administrator), herein submits a revised fund size estimate for the period July 2009 through June 2010. This revision incorporates revised demand projections based on year-to-date actual data. Actual demand for interstate relay services, particularly Video Relay Service (VRS), has significantly under-run the projections the Administrator submitted in its annual filing for the July 2009 - June 2010 funding year (*2009 Administrator Filing*).¹ The result is an estimated decrease in the fund size from \$891.0 million to \$ 701.8 million. Accordingly, the Administrator proposes a decrease in the contribution factor from 0.01137 to 0.00886 for the current fund year.

II. Revised Demand Projections

The *2009 Administrator Filing* projected a total of 123.8 million VRS minutes, 7.3 million TRS interstate minutes,² 67.6 million IP Relay minutes, 9.3 million Captioned Telephone (CT) minutes, 1.85 million IP Caption Telephone and 130 thousand Speech to Speech (STS) minutes for the

¹ Interstate Telecommunications Relay Service Fund, Payment Formula and Fund Size Estimate, CG Docket No. 03-123 (May 1, 2009) (*2009 Administrator Filing*).

² The interstate TRS minutes include captioned VCO minutes.

2009-2010 fund year. Since the filing, an additional eleven months of actual demand has been reported by providers for compensation from the fund, some additional clarification has been provided by the Commission regarding reimbursable VRS calls, and VRS providers have been required to submit additional data supporting their request for reimbursement coincident with the start of the 2009-2010 fund year.³ Based on this additional information for each of the services, the Administrator has used a linear trend forecast methodology on data for the first seven months of the 2009-2010 fund year to revise its projected demand and funding requirement for the entire fund year.⁴

Exhibit 1 summarizes the revised demand projections and funding requirement for each service compared to the original projections contained in the *2009 Administrator Filing*. The revised funding requirement for each service is developed from actual reported minutes to date, revised demand projections for the balance of the funding year, and rates approved by the Commission for the 2009 – 2010 fund year. Based on the revised projections, approximately \$174.5 million less total funding is required to compensate providers for the 2009-2010 fund year.

A. VRS

Actual minutes of use for VRS are significantly lower than the demand projected by the providers and included in the *2009 Administrator Filing*. Table 1 compares the projected demand and disbursements contained in the *2009 Administrator Filing* to actual reported minutes and requested payments from the fund for July 2009 through January 2010. Actual VRS usage is approximately 12.7 million minutes (18%) below projection for the seven month period. Consequently, VRS disbursements for that same period are approximately \$80 million below projection.

³ In addition, recent public actions related to indictments of individuals on charges of false claims for VRS reimbursements have had an effect on VRS demand.

⁴ The trending is based on the seven months of actual data reported for the current fund year, (i.e., July 2009 through January 2010) using the statistical trending function in Microsoft Excel.

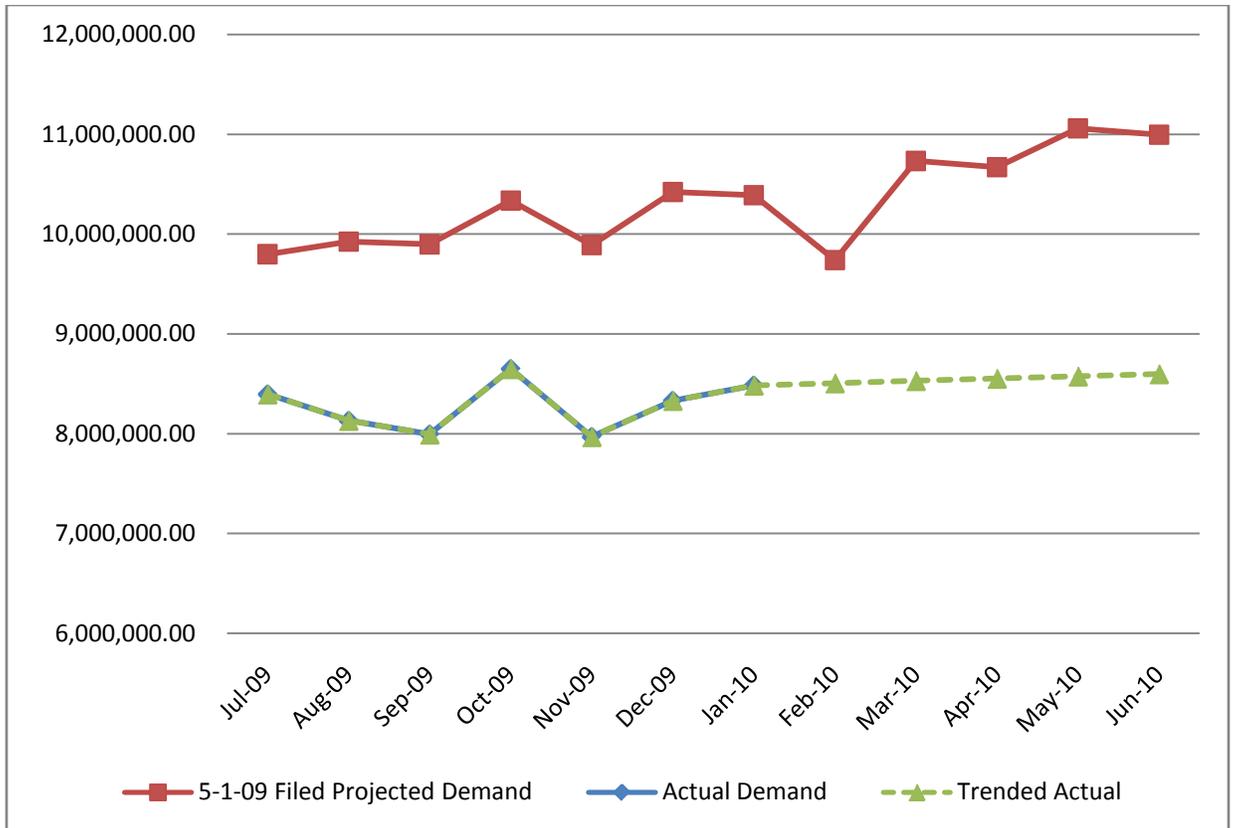
Table 1

VRS Actual vs. Projected Demand

Date	Projected May 1 st Minutes (a)	Projected May 1 st Disbursement (b)	Actual Reported Minutes (c)	Disbursement (Based on Reported Minutes) ⁵ (d)	Differential Col (d) minus Col (b)
Jul	9,797,165	\$ 61,722,319	8,395,812	\$52,893,619	\$(8,828,520)
Aug	9,922,365	\$62,510,890	8,130,971	\$51,225,119	\$(11,285,781)
Sept	9,896,782	\$62,349,726	7,994,119	\$50,362,950	\$(11,986,776)
Oct	10,333,738	\$65,102,549	8,649,251	\$54,490,286	\$(10,612,263)
Nov	9,890,288	\$62,308,814	7,968,985	\$50,204,604	\$(12,104,211)
Dec	10,420,911	\$65,651,739	8,330,645	\$52,483,064	\$(13,168,675)
Jan	10,389,898	\$65,455,979	8,484,151	\$53,450,151	\$(12,005,828)
Total	70,651,087	\$445,101,848	57,953,936	\$365,109,794	\$(79,992,055)

Figure 1 below graphically displays actual VRS minutes reported compared to the original projection and displays the revised projection based on a linear trending of the actual reported July 2009 data through January 2010.

⁵ Reimbursement for certain reported minutes has not yet been made pending further clarification of the data submitted. Projected disbursement for these minutes has been included in the monthly disbursement column.



Revised VRS Minute Projection

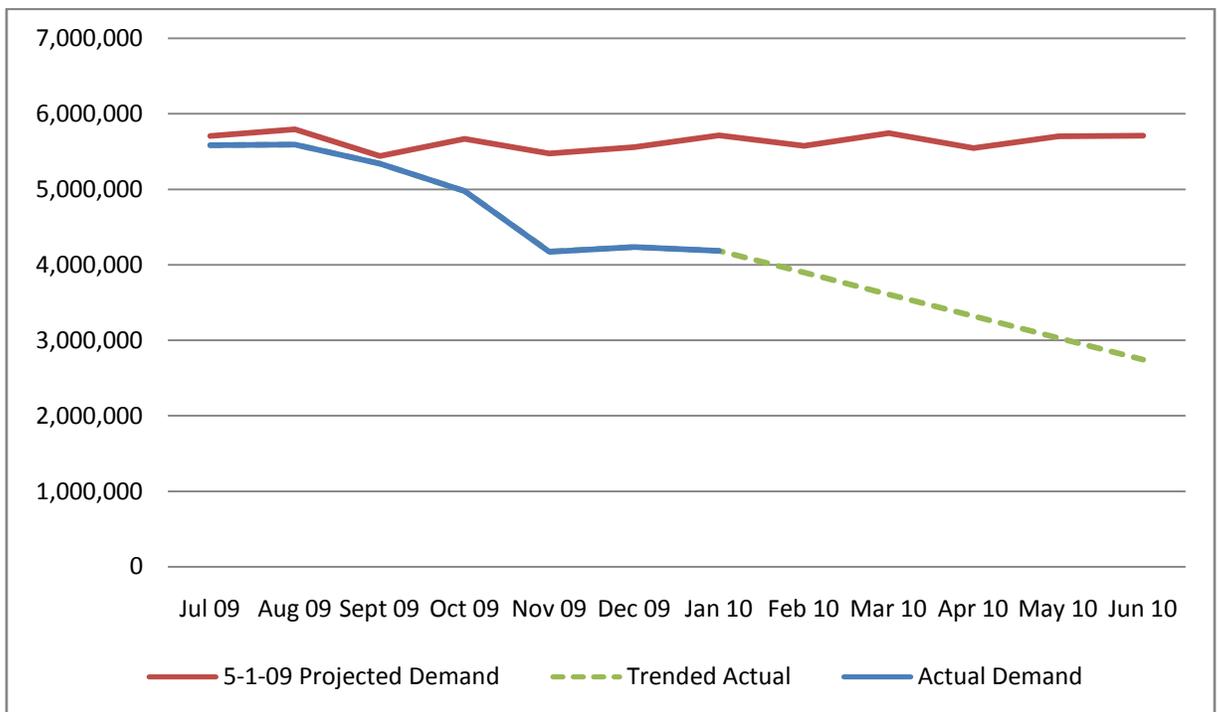
Figure 1

The revised demand projection anticipates that providers will handle approximately 101.04 million minutes during the 2009-2010 funding year, approximately 18.4 percent lower than the original projection of 123.8 million minutes. Based on the VRS tiered rate structure and the revised projected minutes for the July 2009 through June 2010 fund year, the funding requirement for VRS will decrease by approximately \$140 million from \$780 million to \$640 million.

B. Other TRS Services

In addition to revising the projection for Video Relay Service demand for the 2009-2010 fund year, the TRS Fund Administrator has monitored the demand for the other TRS services and using the same trending technique as used for VRS, revised its projection for the remainder of the fund year based on seven months of actual data. Collectively Traditional TRS, Speech-to-Speech, Caption Telephone, and IP Caption Telephone are projected to require approximately \$8.3 million more funding than was originally projected. The differences as displayed on Exhibit 1 are primarily the

result of an increase in the captioned services (Caption Telephone and IP Caption Telephone). These increases are more than offset by lower demand for the other IP Relay Service. Demand for IP Relay Service peaked in August 2009 at 5.59 million minutes and has been declining at more than 260 thousand minutes a month since that time. In January 2010 the providers had projected their demand for the service to be 5.7 million minutes, yet the actual minutes submitted for reimbursement totaled only 4.2 million minutes. Based on this trend, through the end of the fund year, the Administrator projects approximately \$43 million less will be required to fund IP Relay Service. Figure 2 compares the original to the revised IP Relay minute projections.



Revised IP Relay Minute Projection

Figure 2

III. Revised Revenue Base

The 2009 Administrator Filing used a projected revenue base of \$78.3 billion interstate and international revenue for calendar year 2008 to calculate the TRS contribution factor. Subsequent to that filing, the Administrator received revised information from the Revenue Data Collection Agent, increasing the 2008 calendar year revenue base to \$79.2 billion.

IV. Revised Contribution Factor

Based on the new projections for each service and revised revenue base, the Administrator now calculates that the existing contribution factor will yield a sizeable surplus in funding for the current fund year. Therefore, the Administrator proposes a decrease in the factor for the 2009-2010 fund year. As depicted on Exhibit 1, with the reduced funding requirement of \$701.7 million and a revised revenue base of \$79.2 billion, the revised contribution factor is 0.00886, a reduction of approximately 22.1 percent.

V. Implementation Methodology for Revised Factor

Because some contributors utilize the monthly payment option while others make their annual contribution in a single payment, the Administrator proposes the following methodology for refunds resulting from the reduction in the contribution factor. This methodology uses the reported revenue amount for each contributor and the revised contribution factor to compute a new annual contribution requirement.

- If the provider elected to make a single contribution to the fund, the amount already contributed will be compared to the new annual contribution and a refund will be issued for the over-payment.
- If the provider elected the monthly payment option, the payments made to date will be deducted from the new annual contribution and the balance will be divided by the months remaining in the funding year to determine the monthly payment to be invoiced.⁶

Conclusion

Lower than projected demand for TRS services, particularly Video Relay Service has created a significant surplus in the Interstate TRS Fund. Therefore the TRS Administrator proposes a revised

⁶ For example, assume a provider had an annual contribution of \$12,000 based on the current factor and was paying at a rate of \$1,000 per month. If the revised contribution factor were to be approved in January 2010, the provider would have already paid \$7,000 towards its annual contribution amount. Further, if the annual contribution requirement were to decrease from \$12,000 to \$11,500 as a result of the revised factor, the provider's remaining obligation would decrease from \$5,000 to \$4,500. The monthly billing for the remaining months of the fund year would be adjusted from \$1,000 to \$900 to reflect the decreased obligation.

fund size of \$701.8 million and a revised contribution factor of 0.00886 for TRS for the 2009-2010 funding year.

Revised Interstate TRS Fund Requirement
for July 2009 through June 2010

Exhibit 1

SERVICE	May 1 Filing Projection		Revised Projection		\$ Difference
	DEMAND	FUNDING RQMT (1)	DEMAND	FUNDING RQMT	
Traditional TRS	7,259,298	\$ 13,292,501	7,331,562	\$ 13,424,823	\$ 132,323
Speech to Speech	130,000	\$ 385,073	136,733	\$ 405,017	\$ 19,944
Caption Telephone	9,283,436	\$ 15,575,749	9,960,260	\$ 16,711,324	\$ 1,135,575
IP Caption Telephone	1,851,602	\$ 3,106,618	6,062,760	\$ 10,172,099	\$ 7,065,481
IP Relay	67,610,986	\$ 86,548,823	34,072,769	\$ 43,616,552	\$ (42,932,272)
Video Relay Service					
Tier 1	4,949,193	\$ 33,171,966	4,266,651.85	\$ 28,597,234	\$ (4,574,732)
Tier 2	25,893,944	\$ 166,632,708	21,739,607.02	\$ 139,898,719	\$ (26,733,989)
Tier 3	93,001,529	\$ 580,069,137	75,580,689.84	\$ 471,411,879	\$ (108,657,258)
<u>Total Fund Disbursements</u>					
Projected Provider Payments		\$ 898,782,575		\$ 724,237,646	\$ (174,544,928)
Administrative Expenses		\$ 3,020,000		\$ 2,228,833	\$ (791,167)
Interest Income		\$ (1,000,000)		\$ (801,199)	\$ 198,801
Database Change Orders and Addl provider imp cost		\$ 5,000,000		\$ 5,000,000	\$ -
E911 Numbering Database Maintenance		\$ 189,500		\$ 189,500	\$ -
		<u>\$ 905,992,075</u>		<u>\$ 730,854,780</u>	<u>\$ (175,137,294)</u>
<u>Projected 2008-2009 Fund Balance</u>					
Anticipated Surplus after June 2009 Minutes are paid		\$ (90,000,000)		\$ (90,000,000)	
1/12 of projected total fund disbursements		\$ 75,000,000		\$ 60,904,565	
<u>Funding Requirement</u>		\$ 890,992,075		\$ 701,759,345	\$ (189,232,729.32)
		<u>as Filed</u>		<u>Revised</u>	
Funding Base		\$ 78,347,148,238		\$ 79,206,066,829	\$ 858,918,591
Contribution Factor		0.01137		0.00886	-0.00251 -22.1%

Notes

(1) May 1 Funding Requirement equals projected demand * rates approved in 6/29/2009 Rate Order