

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **May 28, 2015** *Agenda Item # 5

Company: Department of Commerce/TAM (Telecommunications Access Minnesota)

Docket Nos. P999/PR-15-5
In the Matter of TAM's 2014 Annual Report

P999/M-15-185
In the Matter of TAM's FY 2016 Proposed Budget and Surcharge
Recommendation

- Issues:**
1. Should the Commission accept TAM's 2014 Annual Report?
 2. Should the Commission approve TAM's proposed budget for FY 2016?
 3. Should the Commission approve the proposed decrease of the TAM surcharge from \$0.08 to \$0.07?

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Relevant Documents

TAM 2014 Annual Report (Docket 15-5) January 30, 2015
TAM's Proposed Budget for FY 2016 (Docket 15-185) April 25, 2014

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Statement of the Issues

1. Should the Commission accept TAM's 2014 Annual Report?
2. Should the Commission approve TAM's proposed budget for FY 2016?
3. Should the Commission approve the proposed decrease of the TAM surcharge from \$0.08 to \$0.07?

The TAM (Telecommunications Access Minnesota) Program

The Telecommunications Access Minnesota (TAM) program was created by the Legislature in 1987 to make Minnesota's telecommunications system fully accessible to communication-impaired persons. Minn. Stat. §§237.50 – 237.56 and Minn. Rules, Chapter 8775 govern the operation of the program. The program has two major components: the Telephone Equipment Distribution (TED) program, and the Minnesota Relay. The program is funded by a monthly surcharge on all wired and wireless access lines, latest changed to \$0.08 cents in 2014. By law, the surcharge may not exceed \$0.20 per access line.

TAM administers the TED program through an interagency agreement with the Department of Human Services (DHS). TED distributes specialized telecommunications equipment to eligible deaf, hard-of-hearing, speech-impaired and mobility-impaired persons to allow them access to the telecommunications network.

The Minnesota Relay, on the other hand, is a federally-mandated Telecommunications Relay Service that allows functionally equivalent communication between a person with a hearing or speech disability and any other telephone user. A communications assistant facilitates the telephone conversation between a person who has hearing loss or speech disability and other individuals. When Minnesota Relay started, the state of Minnesota owned and maintained all relay equipment. Since 1996, TAM has contracted with outside organizations to staff and equip the relay system. The current Minnesota Relay contractor is the Communications Service for the Deaf (CSD), with Sprint as a subcontractor. The contract with CSD for the provision of Telecommunications Relay Services was recently renewed on March 5, 2014, and is effective from July 1, 2014, through June 30, 2019. Since July 2011, the relay outreach component of Minnesota Relay has been provided by the DHS.

TAM's goal is to provide Telecommunications Relay Services that are in full compliance with the requirements of Minnesota laws as well as with the requirements and intent of Title IV of the Americans with Disabilities Act of 1990, 47 U.S.C. §225, and Federal Communications Commission regulations at 47 C.F.R. §64.601 - 64.605.

In addition to the two main programs, the TAM surcharge also funds one-time direct appropriations and additional programs administered by the Department of Employment and Economic Development (DEED), the Department of Human Services (DHS), and the Commission of Deaf, DeafBlind and Hard of Hearing Minnesotans (MCDHH), summarized in Table 1 below.

By legislative mandate, the TAM surcharge funds the following programs (**Staff added bolded appropriations for FY 2016 proposed budget**):

Table 1: Other Programs Funded by the TAM Surcharge, 2005-2016

Name of Program/Agency Administrator	Year/s Covered	Appropriation	Funding Purpose
Accessible News for the Blind (ANB)/ Dept. of Employment and Economic Development (DEED)	2005- 2016	Maximum annual budget of \$100,000 appropriated to DEED per Minn. Stat. §237.52, subd. 4.	Provides accessible electronic information (news and others) for blind and disabled persons.
Rural Real-time Captioning/Dept. of Human Services (DHS)	2005-2015 2016	Maximum annual budget of \$300,000 appropriated to DHS per Minn. Stat. § 237.52, subd. 4. \$276,154	Provides real-time, closed-captioning of certain local television programs who deaf, hard-of-hearing or deaf/blind persons.
Commission of Deaf, DeafBlind and Hard-of-Hearing Minnesotans (MCDHH)	2007 2008 -2009 2010- 2011 2012 -2013 2014- 2016	Started with \$200,000 for 2007 operations. Increased to \$300,000 Increased to \$400,000 Decreased to \$320,000 Increased to \$800,000	Advocates for equality of opportunity for hearing-challenged persons. American Sign Language website content and to assist state agencies
State Video Franchising	2009	\$85,000 appropriation	Study
Broadband	2009	\$175,000 appropriation	Mapping project
MN.IT (fka Office of Enterprise Technology)	2010- 2011 2012- 2013 2014 - 2016	\$100,000 per year Increased to \$230,000 per year (returned \$210,317 in FY 2013) Increased to \$290,000	Technology accessibility and usability

Legislative Coordinating Commission	2010-2011 2012-2016	\$100,000 per year Increased to \$150,000 per year	Captioning of live streaming of legislative sessions, consolidated access fund for other state agencies
Transfers to the general fund	2010 2011 2013	\$ 246,000 \$ 270,000 \$1,100,000	

In 2013, the legislature passed legislation that imposes TAM and 911 fees on each retail transaction for prepaid wireless telecommunications services effective January 1, 2014. The fees are established pursuant to Minn. Stat. §403.161.

Commission's Role

A. Annual Report

The TAM statute (Minn. Stat. § 237.55) requires the Commissioner of Commerce to present to the Commission by January 31 of each year, a report reviewing the following:

- (1) the accessibility of the telephone system to communication-impaired persons;
- (2) the ability of non-communication-impaired persons to communicate by telephone with communication-impaired persons;
- (3) all services provided under the program;
- (4) accounting for money received and disbursed for each aspect of the program; and
- (5) predicted future operations.

The Commission's review of TAM's Annual Report is addressed in Issue 1.

B. Budget and Surcharge

TAM is also required to file an annual budget and an annual recommendation on the surcharge level necessary to operate the program. Pursuant to Minn. Stat. § 237.52 subd. 2, the Commission reviews the budget proposal for reasonableness, and modifies the budget if necessary. The Commission annually determines the funding mechanism to be used within 60 days of receipt of the TAM recommendation and orders the imposition of the surcharge effective on the earliest practicable date. The law allows the Commission to establish a monthly charge not greater than 20 cents for each wired and wireless access line or connection. If there are changes in the surcharge amount, the Commission directs the telephone companies to file tariffs and implement the new surcharge level.

Issues 2 and 3 deal with TAM's Annual Budget and the proposed change in surcharge.

Issue 1. Should the Commission accept TAM's 2014 Annual Report?

On January 30, 2015, TAM submitted its 2014 Annual Report. The annual report is filed in accordance with Minn. Stat. § 237.55 and presents information on the major activities of TAM for the year. It provides the program history, a description of the TED and Minnesota Relay projects, financial and statistical data, a progress report and anticipated operations, and includes the governing statutory references and the current organizational structure.

Highlights of the Annual Report

A. Minnesota Relay

Call Volumes. TAM describes the two categories of TRS:

- Non-internet based relay services, which include TTY, CapTel, and Speech to Speech, which are administered and funded on a state level, and
- Internet based relay services, which include Video Relay Service (VRS), IP Relay, and IP Captioned TRS, which are currently under FCC jurisdiction and are paid for by an Interstate TRS Fund.

In 2014, Minnesota Relay handled 558,538 calls for a total of 1.47 million conversation minutes of use, a decrease of 11 percent and 6 percent, respectively, from 2013 figures. Majority of the calls (78 percent) is through CapTel, and only 21 percent uses traditional TRS; the remaining 1 percent is by Speech-to-Speech calls. Appendix A of the Annual Report shows the number of relay calls in 2014 with a comparison of yearly call volumes since 2005. It also shows the call volume by type. The numbers show a continued downward trend in yearly call volumes for relay calls.

TAM reports on the continued migration to internet-based services as they offer enhanced features and convenience of use, and more relay users gain access to high speed internet services. The trend also shows continued and increasing reliance on e-mails, text messaging, and other newer forms of communication. TAM notes that many Minnesotans still rely on traditional relays services, particularly among those with no access to affordable high-speed internet services.

Accessibility. TAM serves Minnesotans who have hearing, speech or physical disabilities that make it difficult to use standard telecommunications services, and persons who wish to contact these individuals. Based on previous experiences, it is estimated that more than half a million Minnesotans have some hearing loss. In 2012, a bill was passed that updated telecommunications and disability definitions in Minn. Stat. §§ 237.50 – 237.56.

Minnesota Relay provides 24/7 relay service for standard (voice), text telephone (TTY), wireless, or personal computer (PC) users to place local, intrastate, interstate, and international calls. In 2014, an average of 44 percent of Minnesota Relay calls were

placed using the 7-1-1 dialing access. Users are still able to connect by dialing the 10-digit toll free access numbers.

TAM reports a state-of-the-art system that ensures that required levels of service are maintained in the event of processor failure. Sprint's all-digital switching system is fully redundant to provide a non-stop environment for the relay call center. It provides caller accessibility that meets or exceeds industry standards and compliance with the state contract. The relay features are listed on pages 10-18 of the report. The Minnesota Relay center uses both Uninterruptible Power Source and backup power generators to ensure uninterrupted power, even in the event of a power outage.

TAM reports that the Minnesota Relay meets the FCC minimum standard that 85% of calls be answered within 10 seconds by any method of relay calls. In 2014, the average speed of answer was 1.5 seconds for traditional TRS, 6.6 seconds for speech-to-speech, and 0.5 seconds for CapTel calls.

Appendix B of the Annual Report lists the currently available TRS carriers of choice for intrastate, interstate and international calls. If the caller does not indicate a preference, or if the preferred carrier is not serving Minnesota, the long distance relay call is carried and billed by Sprint.

The Relay Center and Operators. TAM's current contract for the provision of relay services with the Communication Service for the Deaf (CSD) has been extended through June 30, 2019.

The center is located in Moorhead. Operators are available 24/7 and also serve the Federal Relay Service and other states. Operators receive ongoing skill training. Sprint updated the TRS Training Manual. A description of the relay network and operator system is contained on pages 9 - 13 of the Report.

Rates. Minnesota relay users are charged no more for services than those paid by other telephone users. They are provided the same calling services and are able to use the same calling scope used by persons without communication-impairments. Users can select their preferred long distance carrier and are billed by Minnesota Relay only for the conversation time. Internet based relay services, which include Video Relay Service (VRS), and Internet Protocol Captioned Telephone Relay Service (IP CTS) are currently funded by the federal TRS fund, which also funds interstate and international minutes of service including 51 percent of toll free and 900 service, and 11 percent of two-line CapTel minutes. The non-internet based local and intrastate relay services, which include traditional, speech-to-speech, and CapTel relay services are funded on a state level.

Contract Payments. TAM paid Sprint about \$2.3 million in FY 2014 and projects \$2.5 million payments for FY 2015. *See page 24 of the Annual Report.*

Outreach. Outreach presentations for the Minnesota Relay are provided by the Department of Human Services' TED Program. In 2014, the outreach staff performed 91

outreach activities reaching 2,062 Minnesotans listed in Appendix C.

Complaints. In 2014, Minnesota Relay received seven complaints (0.003 percent) out of total 558,538 calls completed.

Notable Developments during the Year.

Relay communication assistants received ongoing skill training.

Future Enhancements.

CapTel will release a new phone that will work with either analog or digital phone service, allowing a consumer to continue using an analog phone upon transitioning to digital phone service. CapTel will also release a Braille version that will allow users who read Braille to receive captioning of the call.

B. Telephone Equipment Distribution

Equipment Distribution. TED distributed 764 assistive devices in 2014, compared to 1,027 in 2013. The devices include amplifiers and amplified phones (62%), CapTel phones (19%), auxiliary equipment (12%), speaker phones (4%), TTYs (0.7%), wireless phones (1%) and other special equipment. Services are provided through the regional offices of the Deaf and Hard of Hearing Services Division (DHHS) of the Department of Human Services.

Clients Served. In 2014, TED served 763 new program participants, and 1,900 repeat participants. It provided information and referrals to 289 consumers. TED's oldest participant is 113 years old, and the youngest is 13 years old. TED's average consumer in 2014 is female, 81 years old, and hard-of-hearing. In 2014, 68 percent of the clients served were female, and 64 percent lived outside of the seven-county metropolitan area. 92 percent of participants are hard-of-hearing, 1 percent deaf, five percent physically disabled, and 2 percent have other disabilities.

Wireless Phones. In 2014, TED increased distribution of wireless phone and accessory options.

Outreach. DHHS performed TED's outreach activities through 289 presentations or referrals reaching 3,523 participants. Presentations were made to groups of professionals and potential participants explaining the program, the eligibility requirements, available services and pertinent information. Outreach efforts included face-to-face meetings with consumers, participation in exhibits, distribution of pamphlets, training of consumers and businesses, and similar activities.

Contract Payments. TAM paid DHS/TED about \$1.4 million in FY 2014 and projects \$1.7 million expenses for FY 2015. *See page 24 of the Annual Report.*

Notable Developments during the Year. In 2014, TED decided to use an equipment

vendor to manage inventory, deliver equipment to clients, and repair and refurbish devices. The change was based on a cost analysis that showed it was more cost effective than the old system.

In 2014, TED increased its wireless phone and accessory options by adding a basic smartphone, a light/vibrating signaler, and a Bluetooth headset. The basic smartphone includes voice, text messaging, and internet access.

Future Operations. TED plans to develop ways to address noted changes in consumers’ preference for Smartphones and iPads and wireless devices. The program has observed that many individuals like the availability of accessibility apps. In 2015, the program will conduct a pilot program to evaluate iPads and Smartphones.

TED continues to research creative equipment options for people who have multiple disabilities. This group had been underserved due to lack of telecommunications technology meeting their needs, as well as the high-cost of specialized equipment. Examples of specialized devices include cordless voice-activated speakerphones, specialized headsets, special switches and magnifiers for caption telephones.

C. Accounting of Money Received and Disbursed

The Annual Report, on page 24, shows total actual revenues and expenditures for FY 2014 with projections for FY 2015. TAM shows actual revenues of \$4.7 million in FY 2014 and projected revenues of \$6.2 million in FY 2015.

Expenditures totaled \$5.1 million in FY 2014 and are projected at \$ 5.9 million in FY 2015. Expenditures are broken down into the following main programs funded by the surcharge:

Table 2. Summary of Expenditures, by TAM Program, FY 2014 Actual and 2015 Budgeted

Program	FY 2014 Actual (in \$ M)	FY 2015 Budgeted (in \$ M)
Program Administration	\$ 0.123 (2.4%)	\$ 0.156 (2.4%)
Minnesota Relay	2.291 (44.8%)	2.498 (42.0%)
Equipment Distribution	1.424 (27.8%)	1.655 (28.0%)
Subtotal	3.838	4.309
Other Programs	1.281 (25.0%)	1.640 (27.2%)
Total TAM Expenditures	5.119 (100.0%)	5.949 (100.0%)

The TAM fund balance was \$1.9 million at the end of FY 2014 and estimated at \$ 2.05 million at the end of FY 2015.

D. TAM Administration

The TED and Minnesota Relay programs are administered by TAM within the Department of Commerce (Department). Rochelle Garrow is the TAM Program Administrator.

E. Others

The Annual Report also mentioned the ongoing TAM Program Audit, directed by the Commission in Docket No. P999/M-13-138.

Issue 2: Should the Commission approve TAM's proposed budget for FY 2015?

On April 25, 2015, TAM filed its FY 2016 Budget Proposal for Commission approval. Attachment A to the filing shows the summary of the proposed budget with comparative figures for FY 2014 Actual, and FY 2015 Budgeted and Projected figures. It shows that for FY 2016, TAM estimates revenues of \$5,188,063, expenditures of \$5,605,020 resulting in a decrease in the TAM Fund to \$1,457,394 at the end of FY 2016.

Program Expenses

Table 3 presents the main components of TAM's FY 2016 expenses, with comparative FY 2015 figures.

Table 3: TAM's FY2016 Budget Proposal, with comparative figures for FY 2015

	<u>FY2015 Proposal</u>	<u>FY2016 Proposal</u>	<u>Change in Budgtd Amts</u>
A. <u>Department-TAM Programs</u>			
TAM Administration	\$ 155,700	\$ 158,200	\$ 2,500
Tel Eqpt. Distribution	1,654,981	1,494,950	(160,031)
Minnesota Relay	2,497,000	2,334,716	(162,284)
Relay Outreach	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Sub-total	\$4,308,681	\$3,988,866	\$(319,815)
B. <u>Other Funded Programs</u>			
DHS Captioning	\$ 300,000	\$ 276,154	\$(23,846)
DEED – News for Blind	100,000	100,000	-
MCDHH	800,000	800,000	-
Office of Enterprise Tech	290,000	290,000	-
Legislative Coord. Comm	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Sub-total	\$1,640,000	\$1,616,154	\$(23,846)
Total	\$5,948,681	\$5,605,020	\$(343,661)

TAM requests Commission approval of its FY 2016 budget of \$5,605,020 million, a 5.8 percent decrease over its FY2015 budget, resulting from decreases in the TED, MRS, and

DHS Captioning budgets.

The following attachments in TAM’s filing also describe the specific program’s budget proposal and justification for the funding level:

<i>Attachments</i>	<i>Description</i>
A and B	TAM Administration
C	Minnesota Relay Outreach
D	Telephone Equipment Distribution
E	DHS’ Captioning
F	DEED’s News for the Blind

Program Revenue and TAM Fund Balance

TAM proposes a decrease in the surcharge from \$0.08 to \$0.07. The decrease will bring down the TAM Fund to about \$1.5 million at the end of FY 2016 and have sufficient funds to cover operations and advance payments for the following year.

Table 4 below presents TAM’s revenue projections for FY2016 at the proposed surcharge level of 7 cents, with comparative figures if the surcharge remains at 8 cents. Attachment B, page 5, of TAM’s filing also demonstrates the effect on TAM revenue and the TAM Fund Balance by changing the surcharge from 1 cent through 10 cents.

TAM suggests that if there is no change in the 911 or TAP surcharge, the Commission may wish to retain the surcharge at 8 cents to avoid the effort of implementing the change.

Table 4. Effect of Surcharge Decrease to 7 cents on TAM’s Revenue and Fund Balance, with comparative figures if Surcharge is retained at 8 cents

Details	at 7-cent surcharge	At 8-cent surcharge
REVENUE		
Wired Access Lines, est. at 1,776,424 l lines	\$1,369,145	\$1,705,367
Wireless, est. at 3,858,850 accounts	\$3,063,729	\$3,704,496
Subtotal	\$4,733,630	\$5,409,863
Prepaid wireless	\$ 451,733	\$ 516,266
Interest income	\$ 2,700	\$ 3,400
Total Revenue	\$5,188,062	\$5,929,529
Less		
EXPENDITURES from Table 3		
Department-TAM Programs	\$3,988,866	\$3,988,866
Other Funded Programs	\$1,616,154	\$1,616,154
Total Expenditures	\$5,605,020	\$5,605,020
Add: TAM Fund at beginning of FY 2016	\$1,874,350	\$1,874,350
Proj. TAM Fund at end of FY 2016	\$ 1,457,394	\$2,198,860

Effective Date for the Surcharge Decrease

TAM recommends that the effective date of the change in the surcharge be the first billing cycle on or after July 1, 2015, or such date that any change to the 911 and/or TAP surcharge is implemented allowing for the required minimum notice of fee change. Telecommunications companies and carriers must be provided 45 days' notice, while prepaid wireless retail transaction fee changes are effective 60 days after the first day of the first calendar month after the Commission decision.

Staff has learned that the 911 fee will be increased, most likely effective August 1. As of writing, it is not known whether there will be a change in the TAP surcharge.

Staff recommends that the Commission direct that the TAM surcharge be decreased to \$0.07 cents effective on or billing cycle after Aug.1, 2015 to allow for the required notices.

COMMISSION OPTIONS AND STAFF RECOMMENDATIONS

Commission Options for Issue 1: Should the Commission accept TAM's 2014 Annual Report?

- 1.a. Accept TAM's 2014 Annual Report.
- 1.b. Other action determined by the Commission.

Staff's Recommendation

Staff recommends Option 1.a.

Commission Options for Issue 2: Should the Commission approve TAM's proposed budget for FY 2016?

- 2.a. Accept TAM's FY 2016 proposed budget.
- 2.b. Other action determined by the Commission.

Staff's Recommendation

Staff recommends Option 2.a.

Commission Options for Issue 3: Should the Commission approve the proposed decrease of the TAM surcharge from \$0.08 to \$0.06?

- 3.a. Approve the proposed decrease of the TAM surcharge from \$0.08 to \$0.07. Also, direct that the TAM surcharge change be effective on or billing cycle after Aug.1, 2015.
- 3.b. Other action determined by the Commission.

Staff's Recommendation

Staff recommends Option 3.a.