

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division  
Public Programs Branch \***

**RESOLUTION T-16491  
September 20, 2001**

**RESOLUTION**

RESOLUTION NO. T-16491. TO ESTABLISH THE DEAF AND DISABLED TELECOMMUNICATIONS EQUIPMENT AND SERVICE PROGRAMS (PUBLIC UTILITIES CODE SECTION 2881, ET SEQ.) 2001 ANNUAL BUDGET PURSUANT TO DECISION NO. 89-05-060.

BY COMPLIANCE FILING MADE BY THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE (DDTPAC) ON OCTOBER 2, 2000 AND AMENDED BY LETTER ON OCTOBER 4, 2000, ON DECEMBER 18, 2000 AND ON MARCH 15, 2001.

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**SUMMARY**

The DDTPAC, in an October 2, 2000, filing, requested a budget of \$67,573,787 million, which is approximately \$10 million more than the approved level for the year 2000 budget. On March 15, 2001, the DDTPAC requested a budget augmentation of \$1,954,135 for higher rates requested by Sprint Communications Company L.P. (Sprint) and MCI/WorldCom (MCI) to cover the increased California Relay Service (CRS) costs to comply with the new Federal Communications Commission (FCC) standards and services. The total augmented budget for 2001 requested by the DDTPAC is \$69,527,922.

In adopting this resolution, the Commission has taken into consideration that the 2001 budget is being done under unusual circumstances, that the DDTP surcharge has been at zero since January 1, 2001, that the CRS has increased rates effective retroactive to January 1, 2001, that the DDTP has kept expenditures at an austere level during 2001, and that the DDTP will require a loan to meet expenditures in September and October 2001. Assembly Bill (AB) 219 has been approved to reinstate the surcharge but the DDTP will not start receiving revenues from the surcharge until November 10, 2001.

We adopt a budget of \$49,714,600 set forth in column D of Appendix A, based on a continuation of the DDTP operation at a minimal level. Appendix B provides an analysis of the DDTP cash flow for the year to date as well as a projected cash flow status on December 31, 2001. In order to operate the program at a minimal level during August and the last quarter of this year, the DDTP will have to procure a loan. The analysis shows that even with the receipt of the loan, the reinstatement of the surcharge at the maximum level allowed, and the DDTP continuing to operate at a reduced level; the DDTP will not pay off the loan until after the end of 2001.

## **BACKGROUND**

In compliance with state legislation (PU Code Section 2881 et seq.) the Commission implemented three telecommunications programs for California residents who are deaf, hearing impaired or otherwise disabled. These programs are commonly identified by the number of the enabling legislation: SB 597 authorizes the provision of text telephones (TTYs) and related equipment to deaf or hard-of-hearing individuals. Senate Bill (SB) 60 authorizes provision of specialized telecommunications equipment to consumers with hearing, vision, mobility, speech and cognitive disabilities. This equipment includes amplifiers, speakerphones, cordless phones, etc. The third program, established by SB 244, is the CRS which uses third-party intervention to connect individuals who are deaf or hearing impaired and who use TTYs to communicate with hearing parties.

The Commission retains overall responsibility for the quality of services delivered by this program, for reaching Californians who need the services offered, and for prudently managing these funds. The DDTPAC serves as an agent of the Commission to implement the three statutory programs and as a liaison to the deaf and disabled communities. The programs are funded by the DDTPAC Consolidated Budget. Decision (D.) 89-05-060 (I. 87-11-030) established that the annual budget be submitted to the Executive Director and adopted by a Commission resolution.

## **DISCUSSION**

### **Receipts**

To determine the receipts for 2001, a surcharge of 0.48% was applied to the 2001 estimated revenue base of \$18.1 billion. This surcharge level has been adopted not only to fund the program expenses but also to allow the DDTP to replenish its reserves, which have been depleted by the need to operate the program without an approved surcharge since January 1, 2001. The Telecommunications Division (TD) estimates that a year's funding at the 0.48% surcharge level with the \$18.1 billion revenue base would provide approximately \$86.88 million for the year 2001 if the 0.48% surcharge were in effect for the entire year.

TD estimates that revenues from the reinstated surcharge for DDTP will become available in November 2001. The adopted receipts of \$23,448,000 in column D of APPENDIX A reflect the reduced level of receipts estimated for the year 2001 based on some surcharge revenues received in 2001 from the year 2000 and two months of revenues at the 0.48% surcharge level.

#### Change in Surcharge Level

Both the 0.48% DDTP surcharge as well as the Telecommunications Devices for the Deaf Interim Placement Committee (TPIC) surcharge of 0.001 percent surcharge were adopted by the Commission in Resolution T-16504 on March 27, 2001, provided legislation was passed and the TD Director provided a minimum notice of 10 days to the telecommunications carriers. The 0.001% surcharge for the TPIC provides for publicly available telecommunications devices capable of serving the needs of the deaf and hearing impaired in existing buildings, structures, facilities and public accommodations. The total surcharge adopted in Resolution T-16504 is 0.481%. Pursuant to Commission resolution T-16504, the TD Director has mailed a notice to all telecommunications carriers to file advice letters and revised tariff sheets by August 20, 2001, to have the 0.48% DDTP surcharge rate and the TPIC 0.001% surcharge rate effective September 1, 2001.

#### Adopted Budget Based on Anticipated Revenues and Expenses

In accordance with Resolution T-16487, the DDTPAC provides to the TD Director monthly a "Statement of Cash Flow" for the DDTP. TD utilized these Statements of Cash Flow to estimate the adopted expenses in Column D of APPENDIX A. TD based the 2001 expenses on actual expenditures for January through April 2001 and estimated expenses for the remaining eight months based on these actual expenses for four months and the estimates from the "Statement of Cash Flow". The increased costs for the CRS adopted by the Commission in Resolution T-16516 have been included in CRS expenses as shown in APPENDIX B. The DDTP will likely require loans of approximately \$4.5 million in September 2001 and \$4.5 million for October 2001 for the DDTP to pay expenses due during these months. TD estimates that the loans of \$9.0 million, plus interest, will not be repaid by the end of 2001.

The DDTP is currently operating in a "cost savings" mode because of the revenue shortfalls for 2001. TD recommends that the Commission adopt a 2001 budget of \$49,714,600 million to reflect those revenue shortfalls.

#### DDTPAC Proposed Budget

The DDTPAC requested 2001 budget of \$69,527,922 as set forth in column C of APPENDIX A includes an estimated expense increase of \$12,194,916 from the year 2000 adopted budget due to 1) an estimated increase of \$6.33 million for the CRS, 2) an estimated increase in call center traffic and costs amounting to approximately \$6.91 million, 3) an increase of \$1.94 million for outreach media and material, 4) an increase of \$1 million for personnel costs, 5) an increase of \$0.93 million for Senate Bill (SB) 597 expenses, 6) an estimated increase of \$0.59 million for a document management system and 7) an estimated \$5.35 million reduction in SB 60 services and equipment.

### Expense and Income Report

On January 1, 2001, the DDTP Trust Administrative Staff (DDTPTAS) replaced its monthly income and expense report, provided in the monthly binder for DDTPAC members and members of the public attending DDTPAC meetings, with a new report having a different format in many respects. Expenses are in most cases presented in conjunction with the programs they support, reflecting the organization of the 2001 budget request. The DDTPAC effort to allocate expenses with increasingly finer details is commendable. In some cases, however, the detail existing in the report format of the past is no longer available; in others, more detail has been created.

As the current report uses the proposed budget, the report will need revision to reflect the adopted budget. TD recommends that the DDTPTAS, members of TD and any other interested parties should meet to discuss the best way for the DDTP to present its financial status in terms of its programs and to report the results to the TD Director within 60 days of the effective date of this resolution. If there is no agreement on the reporting format, TD recommends that this issue be brought before the Commission for a decision by a resolution.

### Unauthorized Overruns in Consultant and Temporary Employment Budgets

Two areas continue to be problems in this program: 1) the program's cost of using contractor employment in the accounting department, and 2) the consistent unauthorized overruns in the consultant contracts. For the past two years the DDTPTAS has had excessive cost overruns in the contract/temporary help budget. There continues to be unusual reliance on contract help in the accounting department. The fact that a key staff position in the accounting department has been vacant since last December raises the question of whether this position is needed.

For the year 2000, total consultant or contract expenditure overruns were \$1,503,398. The consultant budget was \$566,950 but the expenditures were \$1,016,974. The budget for the centralization database was \$424,469; expenditures were \$910,892. The budget for contract employees was \$17,562; expenditures were \$160,514. Of this amount, the accounting department spent \$139,152. For the year 2001, the DDTPAC overall request for contractor or temporary employment is \$188,000.

TD recommends a budget amount of \$30,000 for temporary or contract employees for a customer service representative in the field operations budget of \$20,000, and the general administration budget of \$10,000 for temporary help in the receptionist position. TD recommends that the DDTP Executive Director should provide the TD Director a status report each month of the employment throughout the program, to share with TD the need to hire temporary staff and to state from where the funding can be derived. For the consultant projects TD recommends that the DDTP Executive Director should provide the TD Director a monthly status report on the work and the spending to date, any pending cost overruns and plans to mitigate cost overruns. Although this arrangement should be informal, TD recommends that the Commission should authorize the TD Director to approve any funding changes in the consultant projects and the contract and temporary employees for the budget.

### Centralization

The year 2001 is the first full year in which all the SB 60 and SB 597 utility equipment distribution and services programs have been closed and centralized under the DDTP. Although the programs vary in the length of time when SB 60 and SB 597 have come under the DDTPTAC, preliminary observations indicate that the DDTP appear to be ably fulfilling the goals of centralization which have been set forth by the Commission. The costs for the centralized programs, however, cannot be considered as directly comparable with the utility operated programs because the programs differ in scope. The centralized call center is open for longer hours during the week and is open on Saturdays. After centralization, the local exchange companies stopped providing field operations service and the DDTP assumed these responsibilities. The DDTP is now implementing the field operations program to provide more coverage throughout the state both in terms of the walk-in-service centers, where the public can try out the DDTP equipment, as well as the number of field staff who bring equipment to those DDTP consumers unable to go to a center.

### Allocation of Expenses to SB 597 and SB 60

Prior to 2001, the DDTP call centers, field operations, and equipment warehouses were operated by Pacific Bell, Verizon and the independent telephone companies through the California Telephone Association (CTA) and their budgets for these operations were included in the SB 597 and SB 60 categories. Because centralization of the utility programs is completed, these components of expenses should be included in the 2001 DDTP budgets for the SB 597 and SB 60 categories. This expense allocation to SB 597 and SB 60 not only provides continuity and clarity for the budget consideration of these programs but also meets the requirement in the DDTP enabling legislation for reporting program costs under SB 597 and SB 60. The costs for the three programs are split on a 10% and 90% basis in SB 597 and SB 60 respectively. TD recommends that the

call center, field operations and equipment warehouse expenses allocated to SB 597 and SB 60 are set forth so that these expenses can be compared to prior years' budget.

#### SB 597 and SB 60

TD estimated the expenses for SB 597 and SB 60 based on January through March 2001 actual expenses and an estimate for the remaining months based on these actual expenses and estimated expenses from the "Statement of Cash Flow." TD recommends that the number of FAX machines to be purchased and distributed under SB 597 be reduced from the requested 7000 machines to 2000 machines. TD believes this to be a more realistic goal considering that this is the first year FAX machines are being included in the program. This reduction in FAX machines represents \$771,018. TD has allocated the expenses for the call center, field operations and equipment warehouses to SB 597 and SB 60 by 10% and 90% respectively. TD recommends \$2,849,000 for SB 597 and \$14,401,000 for SB 60 for the 2001 budget.

#### SB 244

TD estimated CRS expenses based on the service rates adopted by the Commission in Resolution T-16516 on May 24, 2001, of \$1.35 per conversation minute for basic relay service and \$2.70 for Speech to Speech service per session minute, retroactive to January 1, 2001. TD recommends that the DDTPTAS request of \$17,790, for remote call observing, be increased to \$50,000 given the new FCC service standards effective this year. TD recommends 2001 estimated expenses of \$27,041,000 for SB 244.

#### Call Center

TD estimated the 2001 expenses based on January through March 2001 actual expenses and an estimate for the remaining months based on these actual expenses and estimated expenses from the "Statement of Cash Flow." The DDTP call center program manager should arrange for remote call service observations, funded and required by Resolution T-16352. TD estimates \$50,000 for remote call service observations. TD recommends that the DDTP Executive Director should provide to the TD Director within 60 days of the effective date of this resolution a report that describes the details of this project. Monthly reports should be submitted to the TD Director thereafter showing the results of the remote call observing project and any related recommendations for program changes and needs for additional education. This data will satisfy the performance evaluation ordered in Commission Resolution T-16352.

TD recommends that the document management system not be implemented at this time because assuring that the customer information inherited from the utilities is valid is a higher priority. TD recommends a call center 2001 expense estimate of \$5,725,000.

### Consultants

TD estimates the consultant budget at \$535,000. This includes two consultant contracts to assist with development and implementation of two Requests for Proposal(s) (RFP). The first is the continuation of the California Relay Service RFP begun in 2000, including assistance with the solicitation of bids and development of the proposed unbundled structure for relay service. This is estimated to cost \$327,000. The second request is \$52,000 for assistance with the development of an RFP to solicit bids and implement a new centralized distribution center. The continuation of the contract for the centralized database System Administrator through March 2002 is estimated at \$156,000. This service is included in the contract with Riptide Technologies, hired in 1999 to design and implement the DDTP Call Center's centralized database. TD does not recommend implementing the document management system (included in the requested call center budget) thus the corresponding request of \$39,000 for consultant assistance with this project is not needed.

### Marketing, Outreach and Media

TD estimates the marketing, outreach and media budget at \$1,257,000 based on four months of actual expenses for January through April 2001 and to include 1)\$75,000 for the DDTP newsletter, 2)\$60,000 for an equipment catalog, 3)\$38,400 for new booth displays, 4)\$165,000 for additional direct mail pieces to announce opening of service centers and 5)\$549,000 to implement a 711 outreach and education campaign in 2001.

### Field Operations

The Field Operations program is estimated to be \$480,000 excluding salaries based on the actual four months costs for January through April 2001 and estimated for the remaining eight months. Personnel costs are reduced by \$85,000, the estimated cost to defer the hiring of the two customer advisors for placement at the seventh walk-in-service center until 2002. TD agrees to the seventh center in concept but TD recommends that the associated development costs for the center, including the two customer advisors, be included in a DDTPAC subsequent budget.

### Administrative and Advisory Committees

For the administrative and advisory committees, TD agrees with the DDTPAC that per diem rates paid for committee work should be increased from the current \$100 to \$300 (\$200 if the meeting lasts for less than approximately two hours). This higher per diem is to be provided to eligible members of the DDTPAC and two advisory committees, the California Relay Service Advisory Committee (CRSAC) and the Equipment Program Advisory Committee (EPAC). TD adopts the higher per diem rate that has been approved by Commission Decision 01-07-012 effective July 12, 2001. Based on the

actual expenses for January through March 2001 and the increased per diem rates, the budgets are \$70,000 for the DDTPAC, \$80,000 for CRSAC and \$70,000 for EPAC.

### Office Budget Personnel

The DDTPTAS was required, as were all telecommunications' public program administrators in 2000, to arrange for compensation studies to provide guidelines for determining appropriate salaries. The DDTPTAS obtained a compensation study in June 2000 that was the principal basis for a development of salary levels and a comprehensive personnel package for the DDTP employees. The compensation study established eight salary levels or grades with five step increases for upper level positions. For entry positions, three salary grades were developed with eleven steps. In addition to these salary grades, three adjustment factors, which could increase the employee's pay, were established. The first was a 2.5% to 5% pay differential for being skilled in American Sign Language (ASL) or a foreign language. The second was a 10% pay adjustment, applied to all classifications, to provide a monetary offset to compensate DDTPTAS for the disparate levels of salary, benefit and terms and conditions of employment for DDTPTAS as compared to State of California employees. The third differential of 2.5% is offered for any non-exempt employee who might regularly work evening or weekend shifts. DDTP adopted only the ten percent pay adjustment factor for which employees received commensurate increases in July 2000. At the end of 2000, the personnel salary and benefits budget was \$4,319, 000. For the 2001 budget year, the DDTPTAS is requesting an increase in funding equal to a one-step pay increase (five percent) for each employee. The actual pay increase, while almost always not more than a step increase, could be equal to a step increase or less, depending on the considered quality of the employee's work since the last increase.

The following examples of three DDTPTAS employees' salary history from the beginning of the year 2000, after the increases established after the personnel package was adopted and proposed for the year 2001, are provided to reflect the impact of the adopted personnel package at different levels in the organization: The first is that of a top level manager, who was paid \$86,000 at the end of 1999, \$96,167 at the end of 2000, and who is eligible to earn up to \$103,051 in 2001, the salary in the second step of the salary range. The salaries for this classification begin at \$ 98,144 in step one and end at \$119,294 in step 5. Because this employee was not placed at step one in the new classification last year, and may now be promoted to step two, will have a salary increase of seven percent. The second example is that of a mid-level manager, hired at \$58,000 in January 2000, promoted to \$66,491 last July and who is eligible for up to a full step increase to \$69,815 in the year 2001. Step 5 in the employee's range is \$73,472. The third employee earned \$34,650 at the end of 1999, \$37,318 at the end of 2000 and is eligible to earn up to \$39,056 in 2001. In this employee's salary range, the first step is \$32,970 and the salary at step fifteen is \$46,586.

The program wide personnel expenses in the adopted budget are approximately \$302,000 less than that requested by the DDTPAC. This difference is explained by a removal of the estimated cost of \$168,100 for temporary employees, the elimination of the requested human resources coordinator (\$37,174) and the two new customer advisors for the seventh drop-in-center (\$57,155). The personnel and administrative costs for the call center, field operations and warehouse and equipment departments have been included in SB 597 and SB 60 and the relay service manager's department in SB 244. TD recommends \$2,624,000, that is the remaining amount for the office budget in the administration category, for the 2001 adopted budget.

Based on updated information provided by the DDTP in September 2001, TD has estimated DDTP Office Expenses including all DDTP wages to be \$4,782,000. TD estimated \$2,624,000 for DDTP office expense and has allocated \$2,158,000 to SB 60 and SB 597.

APPENDIX C is a list of the DDTPTAS classifications and the maximum salary levels for the budget year 2001.

TD recommends that the human resources coordinator position not be approved. TD holds that the salaries and benefits requested by the DDTPAC are reasonable for the approved positions.

#### Notice/Protest

On October 2, 2000, the DDTPAC submitted its proposed 2001 budget to the Commission Executive Director and also sent copies of the proposed budget to all parties of record to I. 87-11-030. Notice of this submission appeared on the Commission Daily Calendar on November 10, 2000. No comments were submitted to the Commission regarding the DDTPAC proposed 2001 DDTP budget.

#### Comments on Draft Resolution

In accordance with Public Utilities Code Section 311(g)(1), a draft resolution was mailed on August 7, 2001, to the parties of record I. 87-11-031. A copy of the cover letter of this mailing also was sent to all Commission certified telecommunications carriers informing them that the draft resolution is available at the Commission web site: [www.cpuc.ca.gov](http://www.cpuc.ca.gov) and is available for public comments. This letter also informs parties that the final resolution adopted by the Commission will be posted and available at the same web site. This means of distribution is consistent with the Commission's commitment to utilize the internet for distributing orders and

information.<sup>1</sup> In addition, a hard copy of the conformed Resolution will be mailed to all parties of record in I. 87-11-031.

The only comments received on the draft resolution were submitted by the Deaf and Disabled Telecommunication Program. The issues addressed were as follows: 1) Receipts; 2) Expense and Income Report; 3) Unauthorized Overruns in Consultant and Temporary Employment Budgets; 4) Allocation of Expenses to SB 597 and SB 60; 5) SB 244; 6) Call Center; 7) Marketing, Outreach and Media; 8) Field Operations; 9) Administrative and Advisory Committees; and 10) Office Budget Personnel.

- 1) **Receipts:** DDTP states that the revenues from the surcharge rate effective September 1, 2001, will not be received by the DDTP until December 10, 2001 because Local Exchange Carrier (LEC) representatives stated that the LECs are required to provide customers 30 days' notice of a rate increase before implementing. The December date is not incorporated here because DDTP did not provide any confirming written correspondence from the LECs and no LEC has informed TD that the surcharge would not be implemented on September 1, 2001, pursuant to Commission Resolution T-16504.
- 2) **Expense and Income Report:** DDTP concurs with TD's recommendation that the TD and representatives from the DDTP should meet to determine appropriate financial report format for DDTP revenues and expenses.
- 3) **Unauthorized Overruns in Consultant and Temporary Employment Budgets:** DDTP provided explanations for these budget overruns. In the accounting department, permanent staff were on leave and the manager resigned. DDTP utilized temporary labor in lieu of permanent staff. DDTP states that the consultants were required to carry out centralization activities because in the 2000 budget some of the 14 staff not approved were to perform these critical centralization projects. These issues already have been addressed; the DDTP can request approval of additional funding for temporary employment and consultants from the TD director.
- 4) **Allocation of Expenses to SB 597 and SB 60:** DDTP points out that it has been allocating call center, field operations, and equipment warehouse expenses to SB 597 and SB 60. DDTP does not disagree that the above-mentioned expenses should be allocated to SB 597 and SB 60. TD has clarified that these expenses should be comparable to those in prior years' budgets.
- 5) **SB 244:** DDTP states that based on six months actual expenses, plus retroactive rate increases for MCI and Sprint and DDTP forecast of expenses for the last six months

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<sup>1</sup> 1998 Commission Business Plan

of 2001, TD's recommendation of \$27 million is understated by \$374,000. This item was not incorporated because no details were provided to analyze the DDTP expense estimates.

- 6) **Call Center:** DDTP states that the paragraph labeled "Call Center" is intended to apply to CRS and should be included in the paragraph labeled "SB 244". This suggestion was not incorporated because "Call Center" is a separate category in the "Statement of Cash Flow" submitted to the Commission pursuant to Resolution T-16487 and the remote call observing is intended for the Call Center and SB 244.
- 7) **Marketing, Outreach and Media:** DDTP states that the actual expenses for the first six months of 2001 were \$185,087, but this was due to conserving funds. DDTP would like to complete deferred projects this year such as \$75,000 for the DDTP newsletter, \$60,000 for an equipment catalog, \$38,400 for new booth displays, \$165,000 for additional direct mail pieces to announce opening of service centers and \$549,000 to implement a 711 outreach and education campaign this year. DDTP states that an additional \$417,000 is needed above the \$840,000 in the draft resolution. These items have been incorporated. Although the DDTP must borrow funds to pay expenses in September, October and possibly November 2001 and should operate in 2001 at an "austere level," TD agrees with the DDTP that these projects would be beneficial to the DDTP in 2001.
- 8) **Field Operations:** DDTP states that the actual expenses for the first six months of 2001 were \$1,101,339. In order to operate at the current level plus enough funds to operate the three additional walk-in service centers, DDTP states that an additional \$1,672,700 would be need over the \$600,000 in the draft resolution. DDTP states that the statement on page six of the draft resolution that refers to "The field operations program has been expanded to provide more coverage throughout the state both in terms of the walk-in service centers, where the public can try out the DDTP equipment is incorrect. DDTP's requested six walk-in centers in the 2000 budget is equal to the number of centers previously operated by the local telephone companies. Currently there are only three walk-in centers opened. The issue of additional expenses for Field Operations has been addressed. TD has decreased the Field Operations estimate, which excludes salaries, to \$480,000 consistent with actual expenses in the "Statement of Cash Flow." TD has increased salaries by \$692,000 so that total salaries and wages are consistent with current expense levels (including a five percent pay increase) provided by the DDTP. TD has clarified that the DDTP is now operating walk-in centers since the closing of walk-in centers by the local exchange companies.
- 9) **Administrative and Advisory Committees:** DDTP points out that the draft resolution states that the TD agrees that per diem rates paid for committee and subcommittee work should be increased from the current \$100 to \$300 per

Commission Decision 01-07-012. DDTP requests clarification on this point since Decision 01-07-012 specifically excludes subcommittee meetings from eligibility for per diem compensation. This issue has been incorporated to clarify that Decision 01-07-012 excludes subcommittee meetings from eligibility for per diem compensation.

- 10) **Office Budget Personnel:** DDTP points out that the DDTP compensation study conducted in the year 2000 describes three adjustment factors but only one factor has been implemented - the differential to compensate DDTP staff for disparate levels of salary, benefits, and terms and conditions of employment for DDTP staff compared to State employees. DDTP also states that the Draft Resolution recommends that the Human Resources Coordinator position requested not be approved. DDTP points out that that for a staff of 71, there is only a one-person Human Resources Department. DDTP states that one person is not adequate to perform all the duties and functions of this department and requests that this position be approved. The request for a Human Resources Coordinator has not been incorporated because of the austere nature of this budget. DDTP is free to update subsequent budget requests to fund such a program. TD has clarified the fact that only one factor in the DDTP compensation was implemented.

#### Future Budget Filing Process

SB 669 has changed the filing requirements for proposed budget and surcharge levels. Future budgets must now be on a fiscal year basis, not the present calendar year basis, in order to conform to the State Budget process. Since fiscal year budgets will need to be presented for Commission approval at least one year in advance of the beginning of the budget year, the Commission will have to present a Budget Change Proposal for each program budget to the California Department of Finance (DOF) by September 1, preceding the beginning of the fiscal budget year. SB 669 allows the Commission only 90 days to approve a program budget after the filing of such a budget by the Committee and before submission of the adopted budget to the DOF.

#### Surcharge Remittance Monitoring

TD staff has established electronic reporting by carriers of surcharge remittances for five public programs, the California High Cost Fund (CHCF)-A, CHCF-B, California Teleconnect Fund (CTF), Universal Lifeline Telephone Service, and California Relay Service/Communications Devices Funds. The TD staff also has established and implemented the reporting of surcharge deposits from carriers to the banking institutions for CHCF-B and CTF.

With both electronic reporting from carriers and bank institutions, TD staff is able to monitor and compare deposit amounts with the reported surcharge remittance amounts for CHCF-B and CTF. TD staff is able to determine whether carriers are

reporting the correct surcharge remittance amounts based upon the reported billing base.

To facilitate the monitoring of deposits and reported surcharge remittances for the DDTP, there should be a transition of the electronic reporting of DDTP deposits from the banking institution to TD. \$6,000 is included in the DDTP 2001 budget to open and maintain the lock box and commercial account. Monitoring of DDTP deposits and surcharge remittances with the monitoring of current CHCF-B and CTF deposits and remittances will result in efficiencies and possible cost savings to the DDTP program. TD recommends that the DDTPAC should work with the TD to open a lock box and a commercial account for the DDTP no sooner than October 1, 2001, but no later than December 31, 2001.

### **FINDINGS**

1. The surcharge that funds the Deaf and Disabled Telecommunications Program Equipment and Service Programs expired on December 31, 2000.
2. With the lack of surcharge funding, the Deaf and Disabled Telecommunications Program Trust Administrative Staff has been required to use its reserves and to reduce normal expenditures for programs during the year 2001.
3. Even with the reinstatement of the pending surcharge, there may be only two months of surcharge revenues provided to the Deaf and Disabled Telecommunications Equipment and Service Programs in 2001.
4. The Deaf and Disabled Telecommunications Program Equipment and Service Programs should continue to operate at an austerity level due to lack of sufficient surcharge income as well as the need to obtain one or more monthly loans with the obligation for repayment.
5. The Telecommunication Division estimate of \$2,849,000 for Senate Bill 597 expenses is reasonable and should be adopted.
6. The Telecommunications Division estimate of \$14,401,000 for Senate Bill 60 expenses is reasonable and should be adopted.
7. The Telecommunications Division estimate of \$27,041,000 for relay service (Senate Bill 244) expenses is reasonable and should be adopted.
8. The Telecommunications Division estimate of \$2,576,000 for the Central Distribution Warehouse expenses is reasonable and should be adopted.

9. The Telecommunications Division estimate of \$480,000 for the Field Operation expenses is reasonable and should be adopted.
10. The Telecommunications Division estimate of \$5,725,000 expenses for the Call Center expenses is reasonable and should be adopted.
11. The Telecommunications Division estimate of \$535,000 for the consultant expenses is reasonable and should be adopted.
12. The Telecommunications Division estimate of \$1,257,600 for the outreach, media and marketing budget level is reasonable and should be adopted.
13. The Telecommunications Division estimate of \$49,714,600 described in Column D in Appendix A. for the Deaf and Disabled Telecommunications Program Equipment and Service Programs is reasonable and should be adopted.
14. The Deaf and Disabled Telecommunications Administrative Committee proposes a total of \$ 69,527,922 for the year 2001 budget.
15. The Telecommunications Division, the Deaf and Disabled Telecommunications Program Trust Administrative Staff and any other interested individuals should meet to discuss and adopt the best reporting format for the expense and income report for the Deaf and Disabled Telecommunications Equipment and Service Programs under centralization.
16. The continued cost overruns in the Deaf and Disabled Telecommunications Program Trust Administrative Staff consultant and contractor or temporary employment budgets without Commission approval is unacceptable and should cease.
17. The Telecommunications Division recommendation of \$30,000 for a customer service representative in the field operations budget and \$10,000 for temporary help in a receptionist position in the general administration budget is reasonable and should be adopted.
18. The Deaf and Disabled Telecommunications Equipment and Service Programs Executive Director and the Deaf and Disabled Telecommunications Administrative Committee Chair should provide the Commission Telecommunications Division Director with monthly status reports on expenditures for consultants and temporary contract labor, including a request for any increases for spending in these budgets.

19. The Telecommunication Division Director should be authorized to approve any funding changes to the consultant projects and the contract or temporary employment budgets.
20. The Deaf and Disabled Telecommunications Equipment and Service Programs Executive Director should provide the Commission Telecommunications Division Director a report on the remote call service observations project.
21. The document management system proposal is premature and should not be adopted.
22. The seventh walk-in-service center, including additional customer advisors, is reasonable but not funded in the year 2001 budget.
23. The per diem rate for members for the Deaf and Disabled Telecommunications Administrative Committee, the California Relay Service Advisory Committee and the Equipment Program Advisory Committee committees work is included in this budget at a level of \$300 per day (\$200 if the meeting lasts for less than approximately two hours), as described in this resolution.
24. The human resources coordinator position is not needed and should not be adopted.
25. The Deaf and Disabled Telecommunications Administrative Committee request of salary and benefits are reasonable for the approved positions and should be adopted.
26. A lock box and a commercial account should be opened for the Deaf and Disabled Telecommunications Program Equipment and Service Programs.
27. The Telecommunication Division recommendations are reasonable and should be adopted.

**THEREFORE, IT IS ORDERED that:**

1. The total budget of \$49,714,600 for the Deaf and Disabled Telecommunications Equipment and Service Programs as described in this resolution and set forth in Column D of APPENDIX A, is hereby adopted for the year 2001.
2. The Deaf and Disabled Telecommunications Equipment and Service Programs Executive Director and the Deaf and Disabled Telecommunications Program Administrative Committee Chair shall provide the Telecommunications Division

Director with monthly status reports by the 15<sup>th</sup> of the following month for expenditures in the consultant, and the contract and temporary employee budgets.

3. The Commission Telecommunications Division Director is authorized to approve any funding changes in the consultant projects and the contract and temporary employee budgets.
4. The Deaf and Disabled Telecommunications Equipment and Service Programs Executive Director shall provide to the Commission Telecommunications Division Director a report on the remote call service observations project within 60 days of the effective date of this Resolution.
5. The Deaf and Disabled Telecommunications Equipment and Service Programs DDTP Executive Director shall conduct a meeting, no later than 45 days after the effective date of this resolution, with the Telecommunications Division and other interested parties to discuss and adopt the appropriate reporting format for the Deaf and Disabled Telecommunications Equipment and Service Programs under centralization and to report the results to the Telecommunications Division Director. If there is no agreement on the reporting format, the Telecommunications Division shall put this issue before the Commission for a decision in a resolution.
6. The Deaf and Disabled Telecommunications Equipment and Service Programs seventh walk-in-service center, including the customer service advisor positions, is approved but is not funded in the 2001 adopted budget.
7. The Deaf and Disabled Telecommunications Equipment and Service Programs Administrative Committee in consultation with the Telecommunications Division shall open a lock box and a commercial account for the Deaf and Disabled Telecommunications Equipment no sooner than October 1, 2001, but no later than December 31, 2001.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 20, 2001. The following Commissioners adopted it:

/s/ WESLEY M. FRANKLIN  
WESLEY M. FRANKLIN

Resolution T16491  
TD/MJP/SRW  
DDTP 2001 Annual Budget

September 20, 2001

Executive Director

LORETTA M. LYNCH  
President  
HENRY M. DUQUE  
RICHARD A. BILAS  
CARL W. WOOD  
GEOFFREY F. BROWN  
Commissioners

APPENDIX A			
<b>CONSOLIDATED BUDGET</b>			
Annual Budget for Services Provided to the Deaf and Disabled Telecommunications Program For the year of 2001			
(A)	(B)	(C)	(D)
	Adopted 2000 Budget	DDTP Requested 2001 Budget	Adopted 2001
Unencumbered Funds - Begin	22,771,803	12,485,875	20,885,000
<b>RECEIPTS</b>			
Surcharges	49,081,000	52,396,390	22,517,000
Toll Revenues	98,169	126,010	116,000
Investment Income	1,173,264	265,000	808,000
Miscellaneous Income	28,071	20,000	7,000
CRS Damage Assessments	193,935	200,722	
Total Receipts	50,574,439	53,006,122	23,446,000
<b>PROGRAM EXPENSES</b>			
S.B. 597	3,457,869	4,261,629	2,849,000
S.B. 60	16,522,034	9,015,655	14,401,000
S.B. 244	25,521,419	31,847,433	27,041,000
	44,501,322	45,144,717	44,291,000
<b>ADMIN EXPENSE</b>			
Interpreters	177,650	201,820	180,000
Audit/Accounting	175,000	86,378	86,000
Legal	95,000	40,000	100,000
Centralization Database	424,469	12,000	
Central Distribution Warehouse		1,337,260	2,576,000*
Field Operations	1,131,311	1,167,184	480,000*
Call Center	3,789,411	10,694,135	6,725,000*
Document Mgmt. System		592,292	
Consultants	526,950	693,370	535,000
Financial Advisor	18,000	18,000	18,000
Trustee	69,600	52,976	37,000
Outreach Media & Materials	750,000	2,692,974	1,257,600
Outreach Specialists	845,054	669,615	360,000
DDTP Office Expense	4,602,696	5,733,385	2,824,000
DDTPAC	59,120	104,936	70,000
CRSAC	114,294	162,334	80,000
EPAC	53,229	124,546	70,000
Lock Box and Commercial Acct.			6,000
Total Admin Expense	12,831,684	24,383,205	5,423,600
<b>TOTAL EXPENSE</b>	<b>57,333,006</b>	<b>69,527,922</b>	<b>49,714,600#</b>
Interest Expense			200,000
Unencumbered Funds End	14,333,251	4,033,925	<b>(4,680,000)</b>
*NOTE: Budgets for Field Operations, Call Center, and Warehouse Expenses are shown as 90% and 10% in SB60 and SB 597 categories They are not added to the Admin. Expense Total but are included for information. #Excludes \$200,000 of interest expense.			

APPENDIX B													
DEAF and DISABLED TELECOMMUNICATIONS PROGRAM													
CASH FLOW FOR YEAR 2001													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan-Dec
	Dollars in \$1000												
Cash Beginning of Period	20885	21,919	21,821	18,445	14,626	11,350	7,869	4,292	44	49	5	15	20,885
<b>Receipts</b>													
Surcharge	4,619	3,591	16	-1	5	85	0	0	0	0	7,100	7,100	22,517
Toll Revenues	12	8	3	13	10	10	10	10	10	10	10	10	116
Interest	38	278	43	43	325	-40	30	10	0	0	0	0	808
Mutual Fund Reduction Fees	0	1	1	1	0	1	0	1	0	1	0	1	7
<b>Total Receipts</b>	<b>4,669</b>	<b>3,878</b>	<b>63</b>	<b>58</b>	<b>341</b>	<b>136</b>	<b>40</b>	<b>21</b>	<b>10</b>	<b>11</b>	<b>7,110</b>	<b>7,111</b>	<b>23,448</b>
<b>Total Cash Available</b>	<b>25,554</b>	<b>25,797</b>	<b>21,884</b>	<b>18,573</b>	<b>14,967</b>	<b>11,486</b>	<b>7,909</b>	<b>4,313</b>	<b>54</b>	<b>60</b>	<b>7,115</b>	<b>7,126</b>	<b>44,333</b>
CRS Increase Jan-May								369	505	505			1,379
<b>Total Disbursements#</b>	<b>3,635</b>	<b>3,976</b>	<b>3,429</b>	<b>3,887</b>	<b>3,617</b>	<b>3,617</b>	<b>3,617</b>	<b>3,900</b>	<b>4,800</b>	<b>4,350</b>	<b>4,700</b>	<b>4,706</b>	<b>47,434</b>
Cash End of Period	21,919	21,821	18,445	14,626	11,350	7,869	4,292	44	-4,451	-4,795	2,415	2,420	-4,680
<b>Loan</b>									<b>4,500</b>	<b>4,600</b>			
Loan Repayment											2,400	2,220	
Estimated Interest at 4%												200	200
<b>Loan Outstanding</b>									<b>4500</b>	<b>9,300</b>	<b>6900</b>	<b>4,680</b>	<b>4,680</b>
Excludes CRS Increase and Estimated interest at 4%													

