

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Program Branch**

**RESOLUTION T-16817
Date: February 11, 2004**

R E S O L U T I O N

Resolution No. T-16817. To Establish the Deaf and Disabled Telecommunications Equipment and Service Program (Public Utilities Code Section 2881, Et Seq.) 2004-2005 Fiscal Year Budget Pursuant to Decision No. 89-05-060.

Summary

This resolution recommends an annual budget of \$68,604,768 for the Deaf and Disabled Telecommunications Equipment and Service Program (DDTP), pursuant to Public Utilities (PU) Code Section 2881, et seq. for Fiscal Year (FY) 2004/2005. During FY 2003/2004, several existing contracts and anticipated contracts for services rendered in FY 04/05 will be encumbered utilizing FY 03/04 state budget appropriation authority. Although several contracts have increased, due to increased equipment placements and program changes, this resolution recommends that the surcharge be maintained at its current rate of 0.30%.

The 2004-2005 budget year is the second of two transition years for the DDTP as was approved by the California Public Utilities Commission (Commission) in Resolution T-16703. Since July 1, 2003, the Commission has administered the DDTP; the newly formed Telecommunications Access for the Deaf and Disabled Administrative Committee (TADDAC) has provided advice and recommendations to the Commission. July 1, 2003 also marks the first day the DDTP was operated and managed by a state contractor. In Resolution T-16740, the Commission approved the awarding of the California Communications Access Foundation (CCAF) as the contractor to provide the services of the DDTP, pending review and approval by the Department of General Services (DGS).

Because of a successful marketing campaign, TD recommends increased efforts in marketing and outreach during the FY 2004-2005 budget cycle to include a campaign to educate Californians on the newly structured California Relay Service (CRS) to be implemented in 2004. Due to these marketing campaigns, there has been an increase in the number of consumers using specialized equipment leading to an increase in equipment expenses. Hence, TD recommends increasing the equipment budget for FY 2004/2005.

Background

The Commission established the DDTP to implement three legislative mandates: PU Code Section 2881(a) authorizes the provision of TTYs to deaf or hard of hearing individuals; PU Code Section 2881(c) authorizes the provision of other specialized telecommunications equipment to consumers with hearing, vision, mobility, speech, and cognitive disabilities; and PU Code Section 2881(b) uses third-party intervention (also known as the California Relay Service (CRS) to connect consumers who are deaf or hearing impaired with hearing parties. The DDTP was previously managed by an external staff acting as agents of the Commission. The DDTP Administrative Committee (AC) administered the DDTP and oversaw its finances. Two advisory committees, the Equipment Program Advisory Committee (EPAC) and the CRS Advisory Committee (CRSAC), advised the DDTPAC on the equipment and relay service programs.

SB 669, signed by Governor Gray Davis in 1999, changed the operations of the Commission's public programs in two ways: 1) it transferred the funds for the programs from a bank trust fund to the State Treasury and 2) it changed the duties of the administrative committees to those of advisory boards. The Commission successfully implemented the requirements of SB 669 by October 1, 2001 for the California High Cost Fund-A, California High Cost Fund-B, California Teleconnect Fund, and Universal Lifeline Telephone Services programs.

Because of the size of the DDTP and the complexities involved, the Commission sought an extension of the original deadline for the transfer of the DDTP funds. AB 1734, signed into law in June 2002, provided for an extension of the deadline for the transfer of DDTP funds from July 1, 2002 to July 1, 2003.

On December 17, 2002, the Commission adopted Resolution T-16703 approving a transition plan that included the release of an Invitation For Bid (IFB) to operate and manage the programs and services of the DDTP. On May 22, 2003, the Commission approved Resolution T-16740 awarding a two year contract to operate and manage the DDTP to the California Communications Access Foundation (CCAF), pending DGS review and approval. FY 03/04 was the first year of the CCAF contract. This Resolution provides the budget for FY 04/05, the second year of the CCAF contract.

Discussion

Revenues

For the FY 2004-2005 budget, the Telecommunications Division (TD) estimates a billing base of \$20.947 billion. At the current surcharge rate of 0.30%, TD estimates surcharge revenues of \$62,841,000. TD estimates that the interest on the DDTP

funds in FY 2004-2005 will equal approximately \$710,478. TD estimates total revenues of \$63,551,478 in FY 2004-2005.

2004/2005 DDTP Budget Changes

TD anticipates several program changes affecting the FY 2004-2005 budget cycle such as: 1) changes to the DDTP committee budget, 2) the DDTP will implement a new CRS structure by the end of 2004, 3) the TDD Placement Interim Committee Program Budget will be included under the DDTP, and 4) captioned telephone services will be included under DDTP available equipment.

In addition to the above referenced program changes, Resolution T-16740, approved by the Commission on May 22, 2003, awarded the contract to provide the personnel to operate and manage the DDTP to the California Communications Access Foundation (CCAF) for a two-year period at a cost not to exceed \$6,844,800 per year. The proposed FY 2004 – 2005 budget reflects an amendment for the CCAF contract to include duties and responsibilities not included in the original contract, such as fleet management, and additional marketing responsibilities. The cost of the contract, as amended for the FY 2004/2005 budget, shall not exceed \$8,104,928 (\$6,844,800 original contract amount + \$1,188,800 contract amendment to include fleet management and additional marketing responsibilities + \$71,328 contract fee). A portion of the CCAF expenses will be included across all of the individual budget categories discussed throughout this resolution.

Additional budget items are detailed below:

Committee Changes

Appointing Additional Committee Members

In D.03-06-070, dated March 13, 2003, it was noted that DDTP committees had received feedback from various constituents indicating that the needs of their particular group are not effectively represented in the program. More specifically, at this time, DDTPAC (now TADDAC) requested the authority to be granted up to two new committee members to represent communities not currently represented on the committees, such as deaf-blind consumers, low vision consumers, or cognitively impaired consumers. D.03-06-070 allows each committee the flexibility to vote to add additional members if the Director of the Telecommunications Division (TD) determines that there is adequate program funding to support per diem and expenses for additional members.

This resolution provides funds for each committee to appoint up to two additional members per committee, provided that the appointees represent a segment of the deaf and disabled community not included in current membership. Once committees have voted to add a particular member, a brief explanation of how the

appointee represents a constituency not currently represented (not to exceed one-page) shall be provided to the Director of TD for final confirmation.

Monthly Meetings Between Committee Chairs, Two Committee Members and CPUC Management and Staff

In addition to the meetings already budgeted and in order to increase communications between committee members and staff management at the Commission, one additional meeting per-month between all committee chairpersons, up to two other committee members and Commission staff management and staff will be permitted. Additionally, working groups (e.g. CRS II), will be established as required by TD.

Inclusion of Educational Seminars for Committee Members

In order to ensure that committee members are educated with regard to the latest advances in telecommunications for the disabled, the deaf, and hearing impaired communities, each committee member will have the option to attend one convention / conference per year in regards to these issues.

One Additional Meeting for the Equipment Program Administrative Committee (EPAC)

If this budget allows, and in order to allow EPAC some flexibility when addressing various issues expected to surface with regard to increased equipment placements anticipated for FY 04 / 05, and to provide it with more level meeting resources as compared to the other two committees, EPAC will be funded for an additional meeting to take place within FY 04 / 05. This will bring the total number of annual EPAC meetings funded to 14 from the already funded 13 annual meetings.

Off-Site Meetings

In order to make the best effort to increase participation at committee meetings among the deaf, hearing impaired, and disabled communities, each committee will resume hosting at least one annual offsite committee meeting at a qualified learning facility for the deaf, hearing impaired, and /or disabled or a public convention catering to the deaf, hearing impaired, and disabled communities.

Although comments filed by Winston Ching, the Vice-Chair of TADDAC, (Mr. Ching) indicate that past offsite meetings for TADDAC have been poorly attended and a waste of resources, TD recommends including an offsite budget allowance for TADDAC to host offsite meetings in FY 04 / 05. Concerns about poor attendance at TADDAC's past offsite meetings should be addressed as part of a regularly scheduled TADDAC meeting where ideas can be exchanged and action decided upon that may help to increase public participation in these meetings.

Implementation Of The New CRS Structure

On June 19, 2003, the Commission adopted Resolution T-16741 authorizing the Commission's Executive Director to award six contracts to provide the CRS at a total cost of approximately \$146 million for five and one-half years. These six contracts represent a new CRS structure whereby CRS is provided by three types of providers: 1) one network services provider which provides the inbound and outbound network transport and consumer billing, 2) four call center services providers which provide the relay services including Speech-to-Speech (STS), video relay service and web chat relay service, and 3) one network management services provider which provides the routing of 7-1-1 and DDTP 800 calls as well as auditing and reporting performance costs of the other CRS contractors.

TD anticipates that the new CRS structure will not be fully implemented until sometime in 2004. The current CRS structure will remain in place for part of the FY 2004-2005 budget cycle. The new CRS structure will then be operational for the remainder of the 2004-2005 budget cycle. Estimates for the FY 2004-2005 budget costs of these items are discussed in the Telecom Expenses section below.

TDD Placement Interim Committee Program Budget Inclusion (TPIC)

On October 5, 2003, the Governor signed SB 168. This bill removes the statutory requirement that the Payphone Service Providers Committee (PSPC) advise the Commission regarding the TDD Placement Program (TPP), a program that places specialized phones for the deaf in public buildings. TD believes that the Commission will address the implementation of SB 168 during FY 2004 - 2005. Further discussion on this issue is continued in the section below:

Telecom Expenses

SB 168 – P.U. Code Section 2881.2(a)

TDD Placement Interim Committee

According to constituents such as the California Coalition of Agencies Serving the Deaf and Hard of Hearing (Coalition) and members of the DDTPAC (now TADDAC), the Public Utilities Code was contradictory regarding the oversight body for the TPP. Section 279(a) assigns to the Payphone Service Provider Committee (PSPC) the responsibility to:

“...provide for the placement of telecommunications devices capable of servicing the needs of the deaf or the hearing impaired in existing buildings and public accommodations, as specified in subdivision (a) of 2881.2”

Section 2881.4 states that the Commission may contract with entities or individuals to provide, manage, or operate the programs described in 2881, 2881.1, and 2881.2. According to constituents, this implies that both of these programs (DDTP and TPP) should be managed or operated jointly and that the DDTP and TPP are both intended to be under the advisory oversight of the TADDAC.

The addition of TPP budget dollars will have very little impact on the existing DDTP budget aside from additional dollars for the TDD Placement Interim Committee Program Committee (TPIC) being included as a separate budget program category in the DDTP FY 04/05 Budget. The inclusion of these dollars necessarily increases the budget allocation for the overall DDTP program.

For the purposes of the FY 2004 – 2005 DDTP budget, TD recommends allocating funding levels equivalent to the FY 02/03 TPIC approved budget, increased by 16%. This increase is necessary to account for likely transitional expenses. Future TPIC placements are expected to increase significantly as a result of TPIC inclusion in the DDTP. TD recommends a total of \$360,374 be included in FY 04/05 for the TPIC budget.

Comments filed by the Mr. Ching have stated that the TPIC budget amount of \$360,374 is insufficient to adequately fund a significant TPIC placement increase. TD recommends that the amount remain as set forth above, due to the fact that the exact date of TPIC placement under DDTP administrative oversight is unknown and during the first year of this transition a large increase in equipment placement is unlikely.

SB 597—P.U. Code Section 2881(a)

Telecommunication Devices for the Deaf and Hearing-Impaired

TD reviewed the SB 597 equipment purchases budget and actual expenses over the past 12 months. The FY 02/03 budget was \$1.745 million for equipment purchases. Actual FY 02-03 equipment placements for SB 597 represent approximately \$1.803 million, translating into a 3% increase.

At the current trend, TD estimates the FY 2004/2005 outlook for SB 597 equipment purchases to be approximately \$1,912,723. This estimate is 3% percent over the budgeted amount of \$1,857,016 for the FY 2003/2004 budget.

At this time, inductive coupler devices and web cams are not on the Commission-approved DDTP equipment list. Unless the Commission approves the inductive coupler device and web cam for inclusion on the list, the DDTP cannot purchase either or use the \$600,000 allocated in this budget for the purchase of web cams and inductive coupler devices.

Additionally, the equipment budget is increased by \$72,347 to account for a 43% anticipated increase in equipment placements for one month due to the inclusion of one additional marketing event, bringing the total marketing events in the 04-05 budget period to four from the three that were budgeted for FY 03/04. Based on past SB 597 equipment placements, increasing costs by 5% to account for inflation, and a 30-day equipment surplus inventory increase (for a total of a 60-day equipment surplus), TD recommends \$2,943,358 for SB 597 equipment purchases in the FY 2004/2005 DDTP budget.

Based on historical trends, TD estimates an additional \$247,200 for tariffed services, maintenance and repairs, and small miscellaneous expenses for SB 597. TD recommends total expenses of \$3,190,558 for SB 597 in the FY 2004/2005 budget.

SB 60—P.U. Code Section 2881(c)
Specialized Communication Equipment for the Disabled

TD reviewed the SB 60 equipment purchase budget and actual expenses over the past fiscal year. In FY 02/03, the DDTP placed \$6.922 million for equipment purchases. The Commission adopted \$5.989 million for SB 60 equipment purchases in the FY 2002/2003 budget.

As with equipment purchases in SB 597, the recent DDTP marketing campaigns and the July opening of the Burbank walk-in center created a need for a 14% increase in equipment placements in SB 60. Including a 20% one month increase due to one more marketing event for FY 04/05, a 30-day equipment surplus increase for a total of a 60-day surplus, and a 5% equipment cost increase, TD recommends \$8,575,822 for SB 60 equipment purchases in the FY 2004/2005 DDTP budget.

Based on historical trends, TD included an additional \$1,662,796 million for tariffed services, maintenance and repairs and smaller miscellaneous expenses for SB 60.

TD recommends expenses of \$10,238,618 for SB 60 in the 2004-2005 DDTP budget.

TADDAC has filed comments to this draft resolution, indicating that not enough funding was included for equipment testing for FY 04/05. Currently there is a 300% combined increase in funding for equipment testing for both SB 597 and SB 60 over the DDTP FY 03 / 04 budget. TD recommends that this increase be adopted as sufficient to cover increased costs for equipment testing due to the expected increase in equipment placements as a result of a more aggressive marketing plan for FY 04/05.

Mr. Ching filed comments indicating that he did not believe a 60-day equipment surplus was adequate enough to provide insulation from potential bureaucratic delays and recommended a 90-day equipment surplus on certain items, but not all. TD continues to recommend a 60-day equipment surplus for FY 04 / 05 and finds that this doubling of the surplus for equipment (at least a 30% increase over a 0 – 30% surplus last year) should be adequate in combination with the FY 03 / 04 equipment budget adopted in T-16816 to provide insulation against any statewide budget impasses, should they occur.

SB 244—P.U. Code Section 2881(b)

The California Relay Service

The SB 244 program has two budget items: CRS and STS.

As discussed previously, the CRS will undergo a structural transition during the FY 2004/2005 budget year. It is anticipated that the transition will be fully implemented sometime in the last half of 2004. Budget estimates will be based upon costs of the former and new CRS structure, with an overlap of one month.

In FY 2002/2003, TD noted a 14% decline in CRS billed minutes compared to FY 03/04 estimates. Budget resolution T-16747 noted a CRS usage decline from 2000 to 2002 (page 6). Actual FY 02/03 STS billed minutes were 15% lower than FY 03/04 estimates. It was unclear at that time, and remains unclear, whether these declines are due to increased Internet usage or some other unknown cause. Given the ongoing downward trend in billable minutes for both CRS and STS, TD recommends using the actual billed minutes for the FY 02/03 period for the FY 04 – 05 estimate as opposed to carrying the decreased usage trend into FY 04/05 until DDTP staff ascertains further information on this issue. TD estimated expenses of \$29,072,938 for the CRS and STS in the FY 2003/2004 budget. Currently TD estimates \$26,907,084 for both the CRS and the STS for the FY 04/05 budget. This represents an 8% decrease from last year's expenditure.

In addition to the implementation of the new CRS structure, additional budget implications are imminent due to the incorporation of new service / equipment provided for captioned telephone service. Captioned telephone service is a telecommunications service that uses captioned telephones to allow a user to hear the called party's response and read the text of the response simultaneously. The text of the response is provided through the use of communication assistants and voice recognition software. Currently, DDTP has been testing special captioning telephone equipment at no charge, under the provisions of a trial. If the Commission decides to continue to offer this service, resources will need to be assigned to be able to continue this provision. TD estimates increased costs for maintaining the captioned telephone service beyond the trial date to be \$120,000 - \$150,000 for additional units. After factoring the costs associated with the average

minutes per month, TD recommends a total amount of \$964,800 for the inclusion of captioned telephone services in the FY 04/05 DDTP Budget.

TADDAC filed comments indicating that more captioned telephone service should be provided and included in the adopted FY 04 / 05 DDTP budget, or a budget augmentation will be needed in FY 04/05. Due to the fact that captioned telephone service costs are currently in negotiation, TD recommends including captioned telephone service costs in a budget augmentation for the DDTP in FY 04/05 if necessary, once costs are known, as TADDAC suggests.

TD recommends a total amount of \$27,871,884 for the CRS and STS program in the FY 04/05 DDTP budget.

Other Non-Administrative Expenses

On May 22, 2003, the Commission approved Resolution T-16740, recommending the award of a two-year contract to provide the personnel to operate and manage the DDTP to the CCAF at an annual cost of \$6,844,800 for two years. FY 04/05 represents the second year of this contract in addition to the contract amendment of \$1,188,800 to include fleet management and increased marketing campaigns. TD has divided the annual cost of this contract, \$8,104,928 (\$6,844,800 prior contract amount + \$1,188,800 amended contract amount + \$71,328 contract fee) amongst the non-Telco categories, in lieu of personnel costs.

Equipment Program

While the FY 2003/2004 budget included \$800,000 for distribution contract labor, the DDTP spent \$694,829 from July 2002 through June 2003. TD allowed for an additional marketing campaign to occur in FY 03/04 from the two that occurred in FY 02 – 03. If TD's calculation of a 31.5% increase in equipment placed per marketing event, per month is correct, distribution contract labor is approximately 19% below budget for FY 04/05. TD estimates \$952,000 for distribution warehouse labor in the FY 2004/2005 budget. Warehouse rent should remain the same at \$200,000 based on the last contract amount.

From July 2002 through June 2003, expenses for freight charges equaled \$804,961. TD budgeted \$880,000 for FY 2003 – 2004. If the actual expended freight charges are increased by 31.5% per month, per marketing event and a 10% increase for gasoline prices is allowed, freight charges are under-budget by 5%. TD estimates a \$927,716 expense for freight charges in the FY 2004 – 2005 budget.

Additional miscellaneous expenses estimated at \$77,901, travel expenses estimated at \$4,096, and training expense of \$15,000 totaling \$96,997 for miscellaneous expenses for FY 04 / 05.

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$378,837 for the FY 2004/2005 budget.

TD recommends total expenses of \$2,555,550 for the equipment program in the FY 2004/2005 DDTP budget.

Field Operations

This budget category covers the expenses of the field operations including the seven walk-in centers. TD reviewed the July 2002 through June 2003 expenses for the field operation category, determining costs to be currently on target with FY 2003/2004. TD recommends increases in this budget category due to annual lease increases, and telephone and office supplies costs. TD estimates that the non-personnel costs for the field operations category to be \$728,431 for FY 04/05.

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$3,430,101 for the FY 2004/2005 budget.

CCAF in its opening comments points out the need to further increase this budget category to include anticipated increases for CTAP service center costs associated with an increased need for multi-lingual Customer Advisors as a result of its multi-lingual marketing campaign. CCAF goes on to suggest that this need could be filled with contracting out with a language translation service that could be accessed via speakerphone allowing the customer and the Customer Advisor to communicate via remote translation. While TD agrees that this is an excellent suggestion, currently there is no cost data available at hand for a service that would need to be established via the contracting process. TD recommends this issue be taken up in a budget augmentation, once cost data becomes available for this type of service and it is deemed necessary to include such service within the DDTP program.

TD recommends the same course of action, for the same reasons, as described above, in response to CCAF's suggestion that an on-line certification process be instituted to allow for better servicing of existing and new customers.

TD recommends \$4,158,532 for Field Operations expenses in the FY 2004/2005 budget.

Customer Contact

The customer contact budget category primarily covers the expenses for the call center. TD reviewed the number of minutes invoiced to the DDTP from July 2002 through June 2003. The average number of minutes invoiced per month is 91,563. Using this average, TD estimates the monthly cost of the call center contract

charges during FY 2004/2005 to be approximately \$516,295. This figure does not include the additional increase due to a third call center marketing event included under the FY 03/04 budget. TD anticipates that the DDTP will implement a fourth marketing campaign and estimates that for both events, call center charges will be approximately \$1,040,543 for the corresponding months. Thus, TD recommends \$7,244,036 for call center contract charges in the FY 2004/2005 DDTP budget.

During the FY 2002/2003 budget year, special project charges averaged approximately \$36,190 a month. After including increased costs for postage , supplies, and special projects, TD recommends \$434,282 for call center ongoing projects in the FY 2004/2005.

In addition, TD recommends miscellaneous expenses of \$42,197 for software and travel.

DDTP has contracted with Riptide Services to continue to provide maintenance and support for the current database. Until contract negotiations are completed, TD recommends an annual cost of \$144,100 for the FY 2004/2005 budget for database maintenance and support.

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$272,000 for the FY 2004/2005 budget.

Both CCAF and TADDAC filed comments indicating that funds were not included for the Marketing and Outreach Outbound Call (MOOC) program, and suggested that the Customer Contact budget should be increased to \$9,070,132. After verification with both parties, that the correct data set was provided to TD for the purposes of the Customer Care budget analysis, TD ascertained that the discrepancy between CCAF and TADDAC's suggested funding levels and the level recommended by TD in this resolution for Customer Care, is due to different budget assumptions and analysis, and not because the relevant data was not considered. TD does not recommend adjusting the Customer Care budget at this time and recommends an adjustment, should it become necessary in the form of a FY 04 / 05 budget augmentation.

In addition, CCAF filed comments indicating that not enough funds were budgeted to Customer Contact to adequately cover the increased calls generated from four marketing events. TD performed its budget analysis utilizing data that already included the effects of two marketing campaigns (FY 02 / 03 actuals). Thus, only two additional increases were included to work in the effects of two more marketing campaigns, adequately representing the effects of a total of four marketing campaigns.

TD recommends a total of \$8,136,615 for customer contact expenses in the FY 2004/2005 DDTP budget.

CRS

The DDTP retained the services of Hesse, Stobbe, and O’Sullivan (HSO) to oversee the procurement and implementation of the new CRS structure. In FY 2003/2004 the Commission allowed \$500,000 for the HSO contract in the CRS category, as set forth in the HSO contract amendment 1. Currently the HSO contract is under re-negotiation. TD estimates \$821,364 for HSO consulting fees for FY 04/05.

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$287,323 for the FY 2004/2005 budget.

TD recommends a budget of \$19,400 for miscellaneous expenses for travel, communications assistance, and other miscellaneous expenses for the CRS program in FY 04 / 05.

TD recommends total expenses of \$1,128,087 for the CRS budget category in the FY 2004/2005 budget.

Marketing & Outreach

The budgeted marketing plan for FY 2003/2004 included two campaigns focused on promoting the CTAP and the walk-in centers and one campaign promoting the new CRS structure. In FY 2002/2003, there were two marketing plans both promoting the walk-in centers and the equipment program via the call center.

First, the marketing staff held an October Statewide Celebration Day that promoted and increased awareness of the walk-in centers and the California Telephone Access Program (CTAP), and launched the opening of the Oakland walk-in center. The event featured an open house at each service center with free hearing tests for customers and equipment demonstrations by DDTP customer advisors. Flyers were sent to residents in zip codes surrounding each of the six walk-in centers inviting them to attend.

A second marketing campaign in January lasted three weeks, focused on the CTAP and the call center. Newspaper ads, radio spots and posters in 720 bus shelters touting “free phones” invited interested parties to contact the call center or visit a walk-in center for more information.

Equipment placements were positively effected by these two marketing campaigns. Placements increased for both SB 60 and SB 597 with SB 597 gaining a 34% over average increase during the month following the campaigns and SB 60 gaining 23% over average equipment placements. The numbers of inbound calls

to the Call Center were increased during the January marketing event, which focused on the Call Center. The figures increased 57% over average for the number of calls handled to a 61% increase over the average number of calls per week.

While placements and increased calls to the call center were positively affected by these marketing campaigns, usage of the California Relay Service (SB 244) was not affected and in fact CRS usage declined during the 02/03 FY. This is in part because the marketing campaigns for this period did not focus on the CRS program. As previously stated in the SB 244 section of this resolution, it was unclear at that time, and remains unclear, whether these declines are also due to increased Internet usage or some other unknown cause

TD reviewed the expenditures for the marketing materials budget from July 2002 through June 2003, in addition to the marketing plan submitted by CCAF for FY 04/05. As of the effective date of this resolution, no marketing campaigns have yet occurred for FY 03/04. CCAF's marketing plans for FY 04/05 will include four major campaigns to promote the Service Center, Call Center, CRS, and multiple language usage.

TD estimates, based on existing marketing expenditures for FY 2002/2003, materials for four major campaigns in addition to daily marketing materials are approximately \$2,600,000. CCAF is requesting increased funding to include a multiple language campaign. Given the fact additional print media and materials to cater to multiple language populations for this campaign would need to be developed at an additional cost, TD believes that CCAF's recommended expenses for marketing materials in FY 2004/2005 at \$2,695,000 to be reasonable.

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$1,830,721 for the FY 2004 / 2005 budget.

TD estimates other direct expenses at \$370,933. These expenses include costs for communication assistants, travel, vehicle leasing, supplies, and training. TD estimates total outreach costs to be \$2,201,654.

TD recommends \$4,896,654 (\$2,695,000 for materials and \$2,201,654 for outreach) for the marketing and outreach budget category in the FY 2004/2005 budget.

Administrative Expenses

Committee Expenses

A notification from the Department of Finance (DOF) ¹ requires all State advisory bodies to limit their meetings to no more than one meeting for FY 2004/05. The estimates in this budget assume that DOF will approve the continuance of DDTP committee members meeting on at least a monthly basis in order to provide operational and policy-based advice to the Commission. The committee expenses category includes communication assistance, per diem, travel expenses, and miscellaneous meeting expenses for the Telecommunications Access for the Deaf and Disabled Administrative Committee (TADDAC), Equipment Program Advisory Committee (EPAC) and the CRS Advisory Committee (CRSAC). TD estimated expenses based on annual joint and monthly meetings for each committee.

Several additional committee expenses are being incorporated into the FY 04/05 budget, as indicated above in “Committee Changes”. A brief explanation follows; in an effort to represent populations of the deaf, hearing impaired, and disabled communities that are not represented in the existing committee membership, no more than two members will be added to each committee that satisfies these criteria. In its opening comments TADDAC pointed out the need for working groups within the committees to address various issues such as implementation of the new CRS structure, monitoring for adequate warehouse storage for equipment, and development of marketing strategies. In an ongoing effort to increase communication between committee chairpersons and management at the Commission, and as a means of satisfying the need for working group meetings within the committees, one additional meeting per month between all committee chairpersons and two additional members from each committee, and the CPUC staff management and staff will occur. In order to ensure that committee members are educated with regard to the latest advances in telecommunications for the disabled, the deaf, and hearing impaired communities, each committee member will be entitled to attend one convention / conference having to do with these advances, costs not to exceed \$2,000 per convention / conference. Finally, each committee will resume hosting at least one annual offsite committee meeting at a qualified learning facility for the deaf, hearing impaired and/or disabled or a public convention catering to the deaf, hearing impaired and/or disabled.

TD recommends \$612,988 for committee expenses in the FY 2004/2005 budget.

¹ Budget Letter Number 03-02, dated January 29, 2003.

Office Administration

Based on the contract between the Commission and CCAF and a contract amendment increasing the CCAF, TD estimates contracted personnel costs to be \$1,905,945 for contracted personnel expenses in the office administration category.

TD reviewed office administration expenses for July 2002 through June 2003. Based upon historical trends and lease increases, TD estimates \$210,463 for administrative office expenses, \$600,000 for administrative facility expense, and \$165,500 for departmental office expenses.

TD recommends a total office administration expenses for FY 04/05 of \$2,881,908.

Other Program Expenses

Consistent with the four other public programs administered by the Telecommunications Division, TD estimates and recommends \$123,000 for Commission fiscal office staff, \$200,000 for Commission legal staff, \$20,000 for public programs programming consultant, \$700,000 for audits, \$1,500,000 for inter-agency fees, and \$30,000 for electronic storage of documents.

Comments

In compliance with PU Code § 311 (g), the original draft of this Resolution was mailed on December 23, 2003 to the parties of record to Investigation (I.) 87-11-031, Rulemaking (R.) 00-05-001, R.03-03-014, The Telecommunications Access for the Deaf and Disabled Administrative Committee members, California Relay Service Advisory Committee members and the Equipment Program Advisory Committee members. A copy of the transmittal letter of this mailing was also sent to each of the Commission certificated telecommunications carriers informing parties that this draft resolution is available at the Commission's website: www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

TADDAC on January 8, 2004; CCAF on January 7, 2004; and Winston Ching on January 5, 2004, filed comments that have been addressed throughout this document.

In addition to the comments addressed throughout this resolution, additional comments were filed as stated below:

1. "We are pleased that funding for one annual offsite meeting at a qualified learning facility for the deaf, hearing impaired, and / or disabled has been provided." (TADDAC p.7)

2. “Inclusion of CapTel or similar technology offered by a competitive vendor, in the budget for only 400 units is disappointing to us. While we recognize that the full results of the current testing period are not available at this time; if the equipment trial results in a recommendation for such service, significantly more than 400 units will be needed.” (TADDAC p.9)
3. “We are pleased that there will be four major marketing campaigns in FY 04 / 05.” (TADDAC p.9)
4. “A simple solution to insure that all the vendors receive payment in a timely fashion and to insure that equipment is shipped promptly would be to establish a revolving quarterly 25% prepayment for all contracts.” (Mr. Ching, p. 2)
5. “The DDT(sic) Program still could greatly benefit if the amendment with CCAF was expanded to include far more of the day-to-day responsibilities for managing the Program, until an alternate system of control can be worked out that allows them even more freedom to run the Program responsibly.” (Mr. Ching, p. 2)
6. “A second concept (in implementing CRS2), that of Quality Measurement Team (QMT) composed entirely of CRS consumers that have no other connection to the Program, is not provided for in this budget.” (Mr. Ching, p. 3)
7. “We would like to note that the increased equipment demands and the successful marketing campaigns were entirely a product of the previous Program configuration, i.e. pre-July 1, 2003 whereupon the TD took direct operational control. Anyone with a more than passing familiarity with Program operations since the takeover cannot be optimistic about the statistics that will be accumulated since July 1 for fiscal year 03-04.” (Mr. Ching, p. 3)

Where appropriate, filed comments are considered and addressed by the Commission in this resolution.

FINDINGS

1. The Telecommunications Division estimate of \$68,604,768 for the 2004-2005 budget, as set forth in Column C of Appendix A, is reasonable for the Deaf and Disabled Telecommunications Program and should be adopted.

2. A surcharge rate of 0.30%, should be maintained through Fiscal Year 04/05 until further revised by the Commission, is reasonable and should be adopted.
3. It is reasonable to require that the Deaf and Disabled Telecommunications Program Administrative Committee, or its successor, provide justification for and request the Commission to include web cams and induction coupler devices on the formal Deaf and Disabled Telecommunications Program Equipment List.
4. It is reasonable to require that funding for the web cam and induction coupler device not be utilized unless the Commission approves the web cam and coupler device for inclusion on the formal Deaf and Disabled Telecommunications Program Equipment List.
5. The Telecommunications Division's recommendations are reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The fiscal year 2004/2005 budget for the Deaf and Disabled Telecommunications Program shall be \$68,604,768, as set forth in Column C of Appendix A of this resolution.
2. The current surcharge rate of 0.30% will remain in effect until further revised by the Commission.
3. The Deaf and Disabled Telecommunications Program Administrative Committee, or its successor, shall provide justification for and request the Commission to include web cams and induction coupler devices on the formal Deaf and Disabled Telecommunications Program Equipment List.
4. Funding for the web cam and induction coupler device shall not be utilized unless the Commission approves the web cam and coupler device for inclusion on the formal Deaf and Disabled Telecommunications Program Equipment List.

Resolution T-16817
Deaf and Disabled Telecommunications Program
2004 – 2005 Budget – TD/lp1

February 11, 2004

APPENDIX A			
Budget for Services Provided to the Deaf and Disabled Telecommunications Program FY 2004-2005			
	A Adopted 2003-2004 Budget	B 2004-2005 Budget Reflecting FY 03 / 04 Funding	C Adopted 2004-2005 Budget
Fund Balance			12,643,996 * Beginning fund balance as of June 30, 2004
Billing Base	20,045,000,000	20,947,000,000	20,947,000,000
Surcharge Rate	0.003000	0.003000	0.003000
REVENUE			
Surcharges	30,662,956	62,841,000	62,841,000
Investment Income	0	0	0
Miscellaneous Income	0	0	0
CRS Damage Assessments	0	0	0
Interest Income	710,478	710,478	710,478
Total Revenue	31,373,434	63,551,478	63,551,478
PROGRAM EXPENSES			
TELECOM EXPENSES			
S.B. 597	2,964,588	2,745,768	3,190,558
S.B. 60	8,314,400	8,972,681	10,238,618
S.B. 244	29,080,938	27,871,884	27,871,884
S.B.168	0	360,374	360,374
Total Telecom Expenses	40,359,927	39,950,700	41,661,434
ADMIN / DEPT EXPENSES			
Interpreters	468,699	0 ²	0 ²
Audit/Accounting	700,000	700,000	700,000
Legal³	0	200,000	200,000
Consultants	0	0	0
Financial Advisor	0	0	0
Trustee	0	0	0
DDTP Office Expense	3,428,974	1,791,652	2,881,908
Committees	168,800	412,988	612,988
Equipment Program	3,731,811	732,839	2,555,550
Field Operations	4,743,050	3,190,713	4,158,532
Customer Contact	8,048,311	5,432,238	6,136,615
CRS	1,546,981	497,461	1,128,087
Outreach Media & Materials	1,950,000	2,695,000	2,695,000
Outreach Specialists	3,496,927	1,617,751	2,201,654
Other Program Expenses⁴	373,000	173,000	1,673,000
Total Admin / Dept Expenses	28,756,553	17,403,642	26,943,334
TOTAL EXPENSES	69,116,480	57,354,350 ⁵	68,604,768 ⁵ FY 04 / 05 Program Budget
Fund Balance as of June 30, 2005			7,598,696 Ending fund balance on June 30, 2005

1 Items include Commission fiscal office staff costs, programming consultant, inter-agency costs, and electronic storage of documents.

2 FY 04/05 interpreter expenses are disbursed throughout the various budget categories

3This amount reflects the FY 04 / 05 DDTP program budget after deducting funding that was included in FY 03 / 04 budget per Resolution T-16817,

4This beginning fund balance is the difference between expenses anticipated for FY 03/04 program operations (the stand alone FY 03 / 04 Budget,

5This amount represents a stand alone DDTP program budget for FY 04 / 05, excluding funding levels included in the adopted FY 03 / 04 budget.

VIEW 1: View Before Allocations and Apportionments

**Budget for Services Provided
 to the Deaf and Disabled Telecommunications
 2004-2005**

	C adopted 2004-2005 budget
Beginning Fund Balance	12,643,986
REVENUE	
 Surcharges	62,841,000
 Toll Revenues	0
 Investment Income	0
 Miscellaneous Income	0
 CRS Damage Assessments	0
 Interest Income	710,478
Total Revenue	63,551,478
DISBURSEMENTS	
 S.B. 597	3,190,558
 S.B. 60	10,238,618
 S.B. 244	27,871,884
 S.B. 168	360,374
Total Program Disbursements	41,661,434
Equipment Program	2,555,550
Field Operations	4,158,532
Customer Contact	8,136,615
CRS	1,128,087
Marketing & Outreach	4,896,654
Administration	5,302,396
Shared Expenses	765,500
Total Disbursements	68,604,768

VIEW 2(a): View After Apportionments

**Budget for Services Provided
 to the Deaf and Disabled Telecommunications
 2004-2005**

	C adopted 2004-2005 budget
Beginning Fund Balance	12,643,986
REVENUE	
 Surcharges	62,841,000
 Toll Revenues	0
 Investment Income	0
 Miscellaneous Income	0
 CRS Damage Assessments	0
 Interest Income	710,478
Total Revenue	63,551,478
DISBURSEMENTS	
 S.B. 597	3,190,558
 S.B. 60	10,238,618
 S.B. 244	27,871,884
 S.B. 168	360,374
Total Program Disbursements	41,661,434
Equipment Program	2,634,397
Field Operations	4,237,379
Customer Contact	8,215,462
CRS	1,180,907
Marketing & Outreach	4,975,501
Administration	5,699,691
Total Disbursements	68,604,768

VIEW 2(b): View After Apportionments and Allocations

**Budget for Services Provided
 to the Deaf and Disabled Telecommunications
 2004-2005**

	C adopted 2004-2005 budget
Beginning Fund Balance	12,643,986
REVENUE	
 Surcharges	62,841,000
 Toll Revenues	0
 Investment Income	0
 Miscellaneous Income	0
 CRS Damage Assessments	0
 Interest Income	710,478
Total Revenue	63,551,478
DISBURSEMENTS	
 S.B. 597	5,694,382
 S.B. 60	26,056,106
 S.B. 244	30,794,216
 S.B. 168	360,374
Total Program Disbursements	62,905,078
Equipment Program	0
Field Operations	0
Customer Contact	0
CRS	0
Marketing & Outreach	0
Administration	5,699,691
Total Disbursements	68,604,768