October 29, 2026

FCC FACT SHEET[*]
Modernizing TRS Compensation
Notice of Proposed Rulemaking – CG Docket No. 03-123

Background: The Federal Communications Commission must ensure the availability of telecommunications relay services (TRS) to individuals who are deaf, hard of hearing, deafblind, or have a speech disability that are functionally equivalent to voice communication services used by persons without hearing or speech disabilities, to the extent possible and in the most efficient manner. In this proceeding, the Commission takes a first principles approach to TRS provider compensation by seeking to modernize the compensation methodologies for interstate analog TRS and Internet Protocol Relay Service (IP Relay), and streamlining the administrative schedule for TRS Fund data collection. The Commission also aims to minimize the risk of waste, fraud, and abuse and eliminate incentives that raise fund costs without a corresponding improvement in the services provided to consumers, while ensuring providers are reasonably compensated for their services.

What the Notice of Proposed Rulemaking Would Do:

- Seek comment on transitioning away from the Multistate Average Rate Structure (MARS) for interstate analog TRS compensation.
- Seek comment on alternatives to the per-minute rate structure for TRS compensation.
- Seek comment on compensation methodologies to replace MARS for interstate analog TRS.
- Seek comment on the impact on compensation for analog TRS and related services from the IP transition, sunset of analog TRS, and changes to state TRS programs.
- Seek comment on alternative methodologies for IP Relay or continuing the current compensation methodology.
- Seek comment on bifurcating IP Relay rates for service with Communications Assistants vocalizing or captioning for the user versus fully automatic IP Relay.
- Seek comment on modifying the administrative schedule for setting TRS compensation to:
    - Start TRS Fund Years on October 1;
    - Receive the TRS Fund administrator's annual report on July 1; and
    - Require TRS providers to submit cost and demand data to the administrator by April 1.

[*] This document is being released as part of a "permit-but-disclose" proceeding. Any presentations or views on the subject expressed to the Commission or its staff, including by email, must be filed in CG Docket No. 03-123, which may be accessed via the Electronic Comment Filing System (https://www.fcc.gov/ecfs/). Before filing, participants should familiarize themselves with the Commission's ex parte rules, including the general prohibition on presentations (written and oral) on matters listed on the Sunshine Agenda, which is typically released a week prior to the Commission's meeting. *See* 47 CFR § 1.1200 et seq.

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

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

NOTICE OF PROPOSED RULEMAKING*

Adopted: [ ] **Released: [ ]**

Comment Date: 30 days after publication in the Federal Register
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By the Commission:

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* This document has been circulated for tentative consideration by the Commission at its November 19, 2026 open meeting. The issues referenced in this document and the Commission's ultimate resolutions of those issues remain under consideration and subject to change. This document does not constitute any official action by the Commission. However, the Chairman has determined that, in the interest of promoting the public's ability to understand the nature and scope of issues under consideration, the public interest would be served by making this document publicly available. The Commission's ex parte rules apply and presentations are subject to "permit-but-disclose" ex parte rules. *See, e.g.*, 47 CFR §§ 1.1206, 1.1200(a). Participants in this proceeding should familiarize themselves with the Commission's ex parte rules, including the general prohibition on presentations (written and oral) on matters listed on the Sunshine Agenda, which is typically released a week prior to the Commission's meeting. *See* 47 CFR §§ 1.1200(a), 1.1203.

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I. INTRODUCTION

1. Communication services and the devices and technologies consumers use to communicate continue to evolve rapidly. To keep Telecommunications Relay Services (TRS)[1] "functionally equivalent" and aligned with user expectations, the Federal Communications Commission (Commission or FCC) is working to modernize the program and the services it offers. In this Notice of Proposed Rulemaking (*Notice*), we take a first principles approach to TRS provider compensation, seeking comment on updating TRS compensation methodologies currently in use, for interstate analog TRS[2] and Internet Protocol Relay Service (IP Relay).[3] With these reforms, we intend to ensure that TRS continues to be available for consumers "to the extent possible and in the most efficient manner," and that providers of TRS are reasonably compensated for their services.[4] As we balance these considerations, we aim to identify and curb any existing waste, fraud, and abuse. We also aim to eliminate incentives that raise fund costs without a corresponding improvement in the services provided to consumers. Further, we propose to modify the TRS Fund administrative schedule to better align with current data collection, submission, and reporting practices of providers and the TRS Fund administrator.

II. BACKGROUND

2. Title IV of the Americans with Disabilities Act of 1990 (ADA),[5] which added section 225 to the Communications Act of 1934, as amended (the Act),[6] directs the Commission to ensure that TRS are available, "to the extent possible and in the most efficient manner," to individuals with hearing or speech disabilities in the United States.[7] Pursuant to this statutory framework, the costs of relay services are imposed, in the first instance, on either the states for *intra*state analog TRS calls[8] or the Interstate TRS

[1] The Act defines TRS as "telephone transmission services" that enable an "individual who is deaf, hard of hearing, deaf-blind, or who has a speech disability" to communicate by wire or radio in a manner "functionally equivalent" to voice communication services. 47 U.S.C. § 225(a)(3).

[2] Analog TRS includes TTY-based relay service (TTY), Speech-to-Speech Relay Service (STS), and Captioned Telephone Service (CTS). *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, Report and Order and Declaratory Ruling, 22 FCC Rcd 20140, 20151-61, paras. 16-38 (2007) (*2007 TRS Compensation Order*).

[3] IP Relay "permits an individual with a hearing or a speech disability to communicate in text using an Internet Protocol-enabled device via the Internet, rather than using a text telephone (TTY) and the public switched telephone network." 47 CFR § 64.601(a)(27).

[4] 47 U.S.C. § 225(b)(1). Compensation for providers of analog interstate TRS and IP Relay is supported entirely by the Interstate TRS Fund (TRS Fund or Fund). *See* 47 CFR § 64.604(c)(5)(iii).

[5] Americans with Disabilities Act, Pub. L. No. 101-336, § 401, 104 Stat. 327 (1990).

[6] 47 U.S.C. § 225.

[7] 47 U.S.C. § 225(b)(1).

[8] Currently, under section 225 and the Commission's rules, state relay programs manage calls using TTY, STS, and CTS, which operate on the public switched telephone network (PSTN). No specific funding method is required for *intra*state TRS or state TRS programs. States generally recover the costs of intrastate TRS through rate adjustments or surcharges assessed on all intrastate end users and reimburse TRS providers directly for their intrastate TRS costs. *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CC Docket Nos. 90-571 and 98-67, CG Docket No. 03-123, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 12475, 12482, para. 7 (2004) (*2004 TRS Cost Recovery Order*).

Fund for *inter*state analog TRS calls and *all* calls made via Internet-based forms of TRS.[9] Currently, the Commission recognizes six forms of TRS: three analog services and three Internet-based services. The three analog forms of TRS are TTY-based Relay, Speech-to-Speech Relay (STS), and Captioned Telephone Service (CTS). The three Internet-based forms of TRS are Video Relay Service (VRS), Internet Protocol Relay Service (IP Relay), and Internet Protocol Captioned Telephone Service (IP CTS).

3. Section 225 directs the Commission to prescribe regulations for the recovery of costs related to TRS.[10] To provide for the recovery of those TRS costs not supported by state TRS programs, the Commission established the Interstate TRS Fund in 1993.[11] To support Internet-based forms of TRS, telecommunications carriers and providers of interconnected and non-interconnected Voice over Internet Protocol (VoIP) services are required to contribute to the TRS Fund, on a quarterly basis, a specified percentage of their interstate and intrastate end-user revenues for the prior year.[12] To support interstate use of analog TRS, these contributors are assessed a specified percentage of their interstate end-user revenues.[13] Commission rules require TRS Fund payments to be distributed to providers based on formulas approved or modified by the Commission.[14]

4. Over the past 20 years, the Commission has taken different approaches to determining per-minute compensation levels for interstate analog relay services and Internet-based TRS. Today, network modernization and consumer preferences continue to result in fewer users of analog TRS service.[15] Competition in Internet-based TRS services has helped to increase service quality, while giving users the ability to select the providers that best meet their needs. Advances in technology have also dramatically changed the way some TRS services can be delivered, potentially reducing operating costs for providers. For these reasons, it is timely to conduct a first principles review of TRS funding and compensation.

A. Analog TRS and MARS

5. To calculate compensation rates for interstate use of the analog relay services provided through state TRS programs, the Commission relies on the Multistate Average Rate Structure (MARS) methodology adopted in 2007.[16] Under MARS, the per-minute compensation for interstate use of each type of analog relay service (TTY, STS, CTS) is determined based on the weighted-average of the per-minute payments state TRS programs pay to providers for *intra*state use of that relay service in the previous calendar year.[17] In 2007, the Commission concluded that this methodology would produce a

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[9] *See* 47 CFR § 64.604(c)(5)(iii) (implementing 47 U.S.C. § 225(d)). There are two aspects to the cost recovery framework set forth in the regulations for interstate TRS service: (1) collecting contributions from carriers providing telecommunications and VoIP services to create a fund from which eligible TRS providers may be compensated; and (2) compensating eligible TRS providers from the Fund for the reasonable costs of providing eligible TRS services. *2004 TRS Cost Recovery Order,* 19 FCC Rcd at 12482, para. 7.

[10] 47 U.S.C. § 225(d)(1)(D), (d)(3).

[11] *Telecommunications Relay Services, and the Americans with Disabilities Act of 1990*, CC Docket No. 90-571, Third Report and Order, 8 FCC Rcd 5300 (1993) (*1993 TRS Third Report and Order*); *see also* 47 CFR § 64.604(c)(5)(iii).

[12] 47 CFR § 64.604(c)(5)(iii)(A)(*1*)(*ii*).

[13] *Id.* § 64.604(c)(5)(iii)(A)(*1*)(*i*).

[14] *Id.* § 64.604(c)(5)(iii)(E)(*1*).

[15] *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Speech-to-Speech and Internet Protocol Speech-to-Speech Telecommunications Relay Services,* CG Docket Nos. 03-123 and 08-15, Notice of Proposed Rulemaking, 40 FCC Rcd 9528, 9536-38, paras. 19-24 (2025) (*2025 Analog TRS Modernization NPRM*) (discussing decreasing use of TTY).

[16] *See 2007 TRS Compensation Order*, 22 FCC Rcd at 20151-61, paras. 16-38.

[17] *Id.* at 20153, para. 26.

reasonable proxy for rates based on the actual costs of service because intrastate rates for analog relay service were determined in competitively bid contracts between states and analog TRS providers.[18]

B. Internet-based TRS and Internet Protocol Relay Service

6. For Internet-based TRS providers, including IP Relay, the Commission usually sets compensation rates for a multi-year period. For certain forms of Internet-based TRS, a single rate is applicable to all minutes of use of that service (e.g., IP Relay);[19] in other cases, different rates may apply depending on the specific technology used (IP CTS)[20] or the number of minutes handled by the provider (VRS).[21] For each rate, a base level of per-minute compensation, to be applied in the first year of the multi-year period, is determined based on the "reasonable" costs reported to the Commission by TRS providers. For this purpose, the Commission has established criteria defining which categories of costs incurred by providers are "allowable" for recovery from the TRS Fund.[22] Reasonable costs are generally defined as those costs that providers must incur to provide a relay service that meets the Commission's mandatory minimum TRS standards.[23] The resulting base rate is then adjusted annually, using an adjustment factor designed to capture relevant cost changes, e.g., inflation. VRS rates were last set by the Commission in 2023 and expire on June 30, 2028.[24] IP CTS rates were set in 2024 and expire on June 30, 2029.[25]

7. Currently, IP Relay providers are compensated using a single per-minute rate.[26] For much of the past 10 years, there has been only one provider of IP Relay.[27] With the recent certification of two new providers, there are now three IP Relay providers, and the two new entrants rely exclusively on

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[18] *See id.* at 20151, para. 18.

[19] *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Petition for Rulemaking of Sprint Corporation*, CG Docket No. 03-123 and RM-11820, Report and Order, 37 FCC Rcd 8009 (2022) (*2022 IP Relay Compensation Order*).

[20] *See Internet Protocol Captioned Telephone Service Compensation*; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Misuse of Internet Protocol Captioned Telephone Service*, CG Docket Nos. 22-408, 03-123, and 13-24, Report and Order and Order, 39 FCC Rcd 9099 (2024) (*2024 IP CTS Compensation Order*).

[21] *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Structure and Practices of the Video Relay Service Program*, CG Docket Nos. 03-123 and 10-51, Report and Order and Further Notice of Proposed Rulemaking, 38 FCC Rcd 9157 (2023) (*2023 VRS Compensation Order*).

[22] *See 2024 IP CTS Compensation Order,* 39 FCC Rcd at 9121, para. 50; *2023 VRS Compensation Order,* 38 FCC Rcd at 9170, para. 26.

[23] *2004 TRS Cost Recovery Order,* 19 FCC Rcd at 12550, para. 195. The purpose of section 225 is to provide individuals with hearing and speech disabilities "functionally equivalent" access to the public telephone system as persons without such disabilities. "That functionality is defined by the applicable mandatory minimum standards, so that when a provider offers eligible services that meet these standards it may recover its costs of doing so from the Interstate TRS Fund." *See id.* at 12547-48, para. 189. The mandatory minimum standards are set forth in section 64.604 of the Commission's rules. 47 CFR § 64.604. TRS compensation is therefore a determination of a compensation rate that will cover the direct and indirect costs necessary to provide the service consistent with all applicable regulations governing the provision of the service. *2004 TRS Cost Recovery Order,* 19 FCC Rcd at 12543-44, para. 181.

[24] *See* 47 CFR § 64.643(a).

[25] *See id.* § 64.641(a).

[26] *See id.* § 64.640.

[27] T-Mobile USA, Inc. (T-Mobile Accessibility) was the sole provider of IP Relay for many years. *See 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8011, para. 4.

automated technology to provide this form of text-based relay service on calls.[28] The legacy provider has applied for certification to offer fully automated IP Relay as well.[29] With the entry of two new providers, the volume of IP Relay use has grown, with projections for use doubling compared to the last TRS Fund year.[30] However, even with the entry of two new providers, the volume of IP Relay calls remains relatively low compared to IP CTS and VRS,[31] and the $25 million in requirements from the Fund for projected IP Relay calls is a small fraction of the total projected Fund size.[32]

8. In adopting the current IP Relay compensation plan,[33] the Commission "continue[d] the practice of periodically reset[ting] the base level of IP Relay compensation based on a determination of reasonable provider cost," while making several adjustments to the methodology.[34] Regarding cost calculations, the Commission: (1) expanded the allowable cost categories to include the reasonable cost of outreach and acquisition of 10-digit telephone numbers; (2) calculated reasonable cost based on two years of projected costs and demand; and (3) allowed an operating margin of 12 percent in lieu of return on capital investment.[35] The Commission also increased the duration of the compensation period from three to four years and modified the factors used for annual compensation adjustments.[36] Specifically, the Commission linked the inflation factor to the Bureau of Labor Statistics' Employment Cost Index and harmonized the criteria for exogenous cost recovery with the criteria for VRS and IP CTS.[37] The current

[28] The two new providers are Mezmo Corporation dba InnoCaption and Nagish, Inc. dba Rylo. *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Internet-based TRS Certification Application of Nagish, Inc.,* CG Docket No. 03-123, Order, 39 FCC Rcd 13811 (CGB 2024) (*Nagish IP Relay Order*); *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Internet-based TRS Certification Application of Mezmo Corporation to Provide IP Relay Service,* CG Docket No. 03-123, Order, 39 FCC Rcd 13800 (CGB 2024) (*InnoCaption IP Relay Order*).

[29] *See* T-Mobile USA, Inc., Twelfth Amendment to Application of T-Mobile Accessibility for Certification as a Provider of Internet-Based Telecommunications Relay Services, CG Docket No.03-123 (filed July 7, 2026).

[30] As reported by the TRS Fund administrator, IP Relay demand declined between 2021 and 2024, increased in 2025, and is projected to increase through the 2026-27 TRS Fund year. *See* Rolka Loube Saltzer Associates, Inc., Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51, at 19, Exh. 1.3a (filed May 4, 2026) (2026 TRS Fund Annual Report). For the 2024-25 TRS Fund year, the TRS Fund administrator projected about 4 million IP Relay minutes; for 2025-26 TRS Fund year, the projection was about 5 million IP Relay minutes; and for the 2026-27 TRS Fund year, the projection is approximately 10 million IP Relay minutes. *Compare* Rolka Loube Saltzer Associates LLC, Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate Supplement CG Docket Nos. 03-123 and 10-51, at Exh. 2 (filed June 17, 2024) https://www.fcc.gov/ecfs/document/10506289045837/2 (2024 TRS Fund Annual Report Supplement) *with* Rolka Loube Saltzer Associates LLC, Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate Supplement CG Docket Nos. 03-123 and 10-51, Exh. 2 (filed June 9, 2025) https://www.fcc.gov/ecfs/document/106102067923415/1 (2025 TRS Annual Fund Report Supplement) *and* Rolka Loube Saltzer Associates LLC, Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate Supplemental Report, CG Docket Nos. 03-123 and 10-51, Exh. 2 (filed June 15, 2026) https://www.fcc.gov/ecfs/document/26109834747/1 (2026 TRS Fund Annual Report Supplement).

[31] For example, for the 2026-27 Fund year, the TRS Fund administrator projects about 10 million IP Relay minutes in contrast to 122 million for VRS and 914 million for IP CTS. 2026 TRS Fund Annual Report Supplement at Ex. 2.

[32] *See id.*

[33] *See 2022 IP Relay Compensation Order,* 37 FCC Rcd 8009.

[34] *Id.* at 8013-14, para. 10.

[35] *Id.*

[36] *Id.*

[37] *Id.* at 8024-26, paras. 40-47.

IP Relay compensation plan, while slated to expire June 30, 2026, has been extended through June 30, 2027, unless the Commission acts to change that date.[38]

C. TRS Fund Year Administrative Schedule

9. The TRS Fund Year starts on July 1 and runs through June 30 of the next calendar year.[39] At the end of each Fund Year, the Commission releases an Order stipulating the compensation rates for the three interstate analog TRS and three Internet-based forms of TRS for the next Fund Year.[40] Each year's compensation levels are informed by recommendations of the TRS Fund administrator (the administrator), who must file a report with its analysis of provider costs and demand and recommended rates by May 1.[41] The administrator in turn requires state TRS programs and TRS providers to submit reports on their costs and demand for the previous year(s) and projections for the next year(s) in the month of February.[42] Contributors to the TRS Fund file their annual Form 499-A reports regarding end-user revenues with the Universal Service Administrative Company (USAC) on April 1.[43]

10. TRS providers submit cost and demand data based on calendar years for both the prior years' and projected years' data in February.[44] Because the submission date is not required by rule, and providers may not have completed closing out their previous calendar year data by February, they frequently submit supplemental data to the administrator who then files a supplement to its original May 1 report.[45] The Consumer and Governmental Affairs Bureau (CGB or Bureau) typically seeks public comment on the administrator's initial report and recommendations in early May with due dates prior to the filing of the administrator's supplemental report.[46] As a result of this schedule, which was set by the

[38] *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Structure and Practices of the Video Relay Service Program,* CG Docket Nos. 03-123 and 10-51, Order, DA 26-646, at 5-6, paras. 13-17 (CGB June 30, 2026) (*2026 TRS Compensation Order*).

[39] *See* 47 CFR § 64.604(c)(5)(iii)(H).

[40] *See, e.g., 2026 TRS Compensation Order*, DA 26-646.

[41] 47 CFR § 64.604(c)(5)(iii)(H); *see, e.g.,* 2026 TRS Fund Annual Report.

[42] *See* 2026 TRS Fund Annual Report, App. B, "Interstate TRS Fund Annual State Data Request: Filing Instructions," at 4 (State TRS Filing Instructions); *id.*, App. C, "Interstate TRS Fund Annual Provider Data Request: Filing Instructions," at 23 (TRS Provider Filing Instructions). Internet-based TRS providers submit two calendar years of historical and projected cost and demand data. TRS Provider Filing Instructions at 6. State TRS programs provide contract rates and minute-of-use data for the most recently completed calendar year. State TRS Filing Instructions at 4.

[43] *See* Universal Service Administrative Co., "Forms to File" (last visited Aug. 3, 2026), https://www.usac.org/service-providers/contributing-to-the-usf/forms-to-file/; *see also* 47 CFR § 64.604(c)(5)(iii)(A) (contributions to the Fund).

[44] *See* 47 CFR § 64.604(c)(5)(iii)(D); *see also* 2026 TRS Fund Annual Report: TRS Provider Filing Instructions at 6.

[45] *See, e.g.,* 2026 TRS Fund Annual Report Supplement; Rolka Loube, Saltzer Associates, LLC, Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate Supplemental Report, CG Docket Nos. 03-123 and 10-51 (filed June 6, 2025); Rolka Loube Associates LLC, Interstate Telecommunications Relay Services Fund: Payment Formula and Fund Size Estimate Supplemental Comment, CG Docket Nos. 03-123 and 10-51 (filed June 13, 2024).

[46] *See TRS Fund Administrator Submits Payment Formulas and Funding Requirements for the Telecommunications Relay Services Fund*, CG Docket No. 03-123, Public Notice, DA 26-516 (CGB May 22, 2026) (*2026 TRS Fund Annual Report Public Notice*).

Commission over two decades ago,[47] the administrator may not always have the most up-to-date information on provider costs and demand by the time it files its report and recommendations on May 1.

III. NOTICE OF PROPOSED RULEMAKING

11. For the reasons outlined below, we propose to update and modernize the compensation methodologies for interstate analog TRS and IP Relay.[48] First, we explain why developments in the market for analog TRS have resulted in the obsolescence of MARS as an appropriate methodology to reflect the reasonable costs of providing interstate analog TRS. In conjunction with network modernization timelines[49] and the resulting potential sunsetting of analog TRS services[50], we seek comment on alternative compensation methodologies to achieve the goals of section 225 for both analog TRS and TRS generally. As one alternative, we propose to replace MARS with cost-based rates. In changing the compensation plan for analog TRS, we also recognize the decline in use of this service and the potential sunset of analog TRS and seek comment on how funding for various state-provided TRS programs can continue during this transition period.[51] Second, IP Relay is transitioning from reliance on communications assistants (CAs) as the intermediaries between the TRS user and hearing party to a fully automated service, similar to fully automated IP CTS.[52] As with IP CTS, we seek comment on bifurcated rates for IP Relay using CAs and fully automated technologies. Due to the rapid transition to fully automated IP Relay using Automatic Speech Recognition (ASR) and text-to-speech technologies, we also seek comment on compensation plans that reflect the declining use of CAs in this service. Third, we propose adjusting the TRS Fund Year administrative schedule to better align with more recent practices in the collection and preparation of TRS cost and demand data.

A. Modernizing Analog TRS Compensation

12. To more accurately reflect TRS providers' reasonable costs of providing interstate analog TRS and curtail incentives for waste, fraud and abuse,[53] we propose to transition away from the MARS methodology and seek comment on various forms of replacement compensation plans. In seeking comment on alternative compensation plans and requesting other proposals for consideration, we are cognizant that some options would work best if applied to all forms of TRS or may otherwise have implications for the compensation of VRS and IP CTS. As we take a first principles look at TRS compensation, we encourage commenters to assist the Commission in developing a complete and robust record. While this *Notice*, does not explicitly seek to address VRS and IP CTS compensation, developing a full record will help ensure the Commission takes appropriate action to address analog TRS compensation, and may help inform the development of future rulemakings when VRS and IP CTS compensation are under consideration.

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[47] *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CC Docket No. 98-67, Report and Order and Further Notice of Proposed Rulemaking, 15 FCC Rcd 5140, App. B (2000) (adopting section 64.604(c)(5)(iii)(H)).

[48] Compensation plans for VRS and IP CTS were adopted in 2023 and 2024, respectively, and currently are in effect through 2028 and 2029.

[49] *See Reforming Legacy Rules for an All-IP Future*; *Accelerating Network Modernization,* WC Docket Nos. 25-311 and 25-208, Notice of Proposed Rulemaking, 41 FCC Rcd 1921, 1943, para. 50 (2026) (*All-IP Pricing Reform NPRM*); *Advancing IP Interconnection*; *Accelerating Network Modernization*; *Call Authentication Trust Anchor*, WC Docket Nos. 25-304, 25-208, and 17-97, Notice of Proposed Rulemaking, 40 FCC Rcd 8566, 8585-86, para. 44 (2025) (*Facilitating IP Transition NPRM*).

[50] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9531-32, paras. 9-10.

[51] *See id.* at 9536-38, para. 19-24 (discussion of obsolescence of TTY Relay).

[52] *See infra* paras. 53-61.

[53] *See, e.g., 2023 VRS Compensation Order*, 38 FCC Rcd at 9159, para. 3 (citing goals of compensation methodology of allocating TRS Fund support equitably and preventing waste, fraud, and abuse).

1. Transitioning Away from MARS.

13. Since the Commission's adoption of the MARS methodology in 2007, the analog TRS market has changed dramatically. Analog relay service minutes have declined precipitously.[54] In the 2006-07 Fund Year (July 1 through June 30), analog relay services accounted for approximately 10 percent of total TRS minutes supported by the TRS Fund. By the 2013-14 Fund Year, use of these services had declined to only 5 percent of total TRS Fund-supported minutes.[55] For the 2026-27 TRS Fund Year, the TRS Fund administrator projects 516,272 minutes of use for interstate TTY Relay,[56] in contrast to 122 million for VRS, 914 million for IP CTS, and over 10 million for IP Relay.[57] Additionally, in the last three TRS Fund reports, the administrator cited several factors that support the consideration of alternatives to MARS, including the "decline in intrastate minutes [of analog TRS], the significant increase in flat rate service contracts [between the states and a TRS provider], the significant difference between per minute pricing and flat rate pricing, the exit of one of two service providers from the CTS market as their contracts expire, and the suggestion that some states are questioning if they will seek recertification [for their TRS program] during the next round of state certifications."[58] Flat-rate pricing in particular results in substantially higher implicit per-minute rates.[59]

14. When the Commission adopted the MARS methodology, it assumed that basing the interstate analog TRS rates on competitively bid *per-minute* rates for intrastate TRS would "ensure that the rates correlate to actual reasonable costs and that the *process* of determining the rates is fair, efficient, and predictable."[60] The data from the states no longer support that assumption. Today, over half the states have some form of flat-rate pricing for one or more analog services,[61] and flat-rate pricing produces significantly higher implicit per-minute rates than rates based on contracts with per-minute pricing.[62] As a

[54] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9531-32, paras. 9-10.

[55] *2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9531-33, paras. 9-11 (discussing decline in analog TRS usage); *see also* U.S. Government Accounting Office (GAO), *Telecommunications Relay Services: FCC Should Strengthen Its Management of Program to Assist Persons with Hearing and Speech Disabilities,* GAO-15-409 ("Accessible Version"), App. VI (Apr. 2015) (same).

[56] *See* 2026 TRS Fund Annual Report at 12, Tbl. 4 & Exh. 2.

[57] 2026 TRS Fund Annual Report, Exh. 2. The decline in TTY usage is evidenced in annual reports from the TRS Fund administrator. Ten years ago, for Fund Year 2013-2014, the administrator projected just over 3 million for interstate TTY Relay minutes. Rolka Loube Saltzer Associates, LLC, Interstate Telecommunications Relay Services Fund: Payment Formulas and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51, Ex. 2 (filed May 1, 2013), https://www.fcc.gov/ecfs/document/6017337068/1. For Fund Year 2023-2024, the administrator projected just over 727,000 interstate TTY minutes. Rolka Loube Saltzer Associates, LLC, Interstate Telecommunications Relay Services Fund: Payment Formulas and Fund Size Estimate Supplemental Comment, CG Docket Nos. 03-123 and 10-51, Ex. 2 (filed June 26, 2023), https://www.fcc.gov/ecfs/document/10629926913280/2.

[58] Rolka Loube Associates LLC, Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51, at 6 (filed May 6, 2024), https://www.fcc.gov/ecfs/document/10506289045837/1 (2024 TRS Fund Annual Report); *see also* Rolka Loube Saltzer Associates, LLC, Interstate Telecommunications Relay Services Fund: Payment Formulas and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51, at 12 (filed by CGB May 6, 2025), https://www.fcc.gov/ecfs/document/10506166960326/1 (2025 TRS Fund Annual Report) (citing same factors as contributing to the increase in rates for analog interstate TRS); 2026 TRS Fund Annual Report at 13-14 (citing same factors as contributing to the increase in rates for analog interstate TRS).

[59] *See* 2026 TRS Fund Annual Report at 11-12.

[60] *2007 TRS Compensation Order*, 22 FCC Rcd at 20151-52, para. 21.

[61] *See* 2025 TRS Fund Annual Report at 12 n.16.

[62] *See id.* at 12, Exs. 1-1 (TRS and STS), 1-2 (CTS).

result, in the last five years, the compensation level for interstate TTY Relay has increased by over 115%, for STS by over 90%, and for CTS by over 40%.[63]

15. Further, MARS was adopted at a time when state TRS programs' rates for the analog forms of TRS were competitively bid.[64] Today, there are only two active providers of TTY and STS, and only one for CTS.[65] Thus, actual competition in the bidding for state contracts appears to be very limited for TTY Relay and STS and non-existent for CTS. In addition, the data reflect a wide disparity in the per-minute rates applicable in various states for the same service from the same provider.[66] Typically a provider uses the same call centers and CAs to serve users in every state where the provider has a TRS contract,[67] making the wide disparity among per-minute compensation rates in different states difficult to attribute to actual costs. As a result, the current average of such widely disparate rates does not reflect a competitive, cost-based price for TRS, as the Commission anticipated in MARS, but rather, rates are based on other non-cost factors in the negotiations between providers and state TRS programs.[68]

16. We also believe that attempting to use MARS as modified by setting aside the data from states with flat-rate TRS pricing is not a viable methodology. An important rationale for adopting MARS was that it "accounts for states with low TRS rates as well as those with high TRS rates, and that an average of those competitive rates will result in a reasonable, competitively-based interstate TRS rates."[69] Excluding the states with flat-rate pricing skews the data,[70] undercuts the foundational theory of the MARS methodology, and fails to address the impact of the ongoing decline in analog TRS minutes on the reasonable costs of providing these services. As stewards of the TRS Fund, we are obligated to protect it from waste, fraud, and abuse, and MARS no longer serves that purpose.[71]

17. Therefore, we do not believe continuing to use the MARS methodology is justified based on the rationale that it reflects the reasonable per-minute costs of providing interstate analog TRS. We seek comment on the above analysis and on our belief that the MARS methodology no longer serves as an appropriate proxy for providers' reasonable costs of interstate analog TRS.

2. Replacing MARS.

18. In replacing MARS for analog TRS, we seek comment on the elements of cost recovery the Commission should consider in a compensation plan to promote efficient use of TRS funding, encourage use of improved technology, and deter waste, fraud, and abuse. As the Commission has noted,

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[63] *See* 2026 TRS Fund Annual Report at 14, Tbl. 6 (Analog TRS Rate Increases).

[64] *See 2007 TRS Compensation Order*, 22 FCC Rcd at 20150-51, paras. 18-19.

[65] *See* FCC, TRS by State and Territories. https://www.fcc.gov/general/trs-stae-and-territories (last visited Oct. 15, 2026).

[66] *See* 2025 TRS Fund Annual Report, Ex. 1-1 (TTY Relay rates range from less than a dollar per minute to nearly $100 per minute).

[67] Users of TTY Relay and STS can connect to a call center by dialing 711 or the appropriate toll-free number for the provider; CTS users dial the number of the called party directly. *See* FCC, Consumer Guides, "711 for TTY-Based Telecommunications Relay Service," https://www.fcc.gov/consumers/guides/711-telecommunications-relay-service (last visited Oct. 22, 2026); *id.,* "Speech-to-Speech Relay Service," https://www.fcc.gov/consumers/guides/speech-speech-relay-service (last visited Oct. 22, 2026).

[68] For example, when the volume of intrastate TRS calls declines and calls are sporadic, flat-rate pricing offers a state program predictable monthly payments when setting an annual budget.

[69] *2007 TRS Compensation Order*, 22 FCC Rcd at 20150-51, para 19.

[70] For 2025, 24 of 56 state programs reported flat-rate pricing for TTY and STS, while 12 of 40 state programs with CTS reported flat-rate pricing for that service. 2026 TRS Fund Annual Report at 11.

[71] *See, e.g., 2023 VRS Compensation Order*, 38 FCC Rcd at 9195, para. 95 ("the Commission is the steward of the TRS Fund and is obligated to protect it from waste, fraud, and abuse").

"the use of TRS cost recovery methodologies and procedures that fairly and predictably compensate providers for the reasonable costs of providing service will not only be faithful to the intent of the ADA, but will also benefit all consumers."[72] Under this foundational principle, we seek comment on what alternative methodology would more fairly use TRS Fund resources and retain predictability for providers. Proposals must be consistent with the principle that, as providers of the functional equivalent of telephone service, TRS providers are entitled to the "reasonable" costs of providing this service.[73] Do providers currently have internal cost and demand data available that we should consider in determining the rates for interstate analog services?[74]

19. *Per-Minute Cost Recovery.* For the past 30 years, the Commission has relied on a "per-minute" compensation structure, which is designed to allow TRS providers to recover their reasonable costs based on the number of minutes of consumer use projected for the year.[75] The "per-minute" factor is the basic unit of separations for categories of costs and jurisdictions set forth in part 36 of the Commission's rules.[76] Does the "per-minute" recovery structure continue to advance the Commission's goals in implementing section 225? For example, should the Commission disburse payments from the TRS Fund based on each provider's actual, reasonable costs and demand with periodic payments of estimated actual costs of service and a "true-up" at the end of the Fund Year?[77] What are costs and the benefits for such an approach? For example, utilizing a true-up plan may incentivize providers to take steps to accurately project costs.[78] Conversely, periodic payments may have a negative impact on competition, disadvantaging new entrants with substantial start-up costs and little volume as they work to establish a user base. Applying such an individualized compensation approach across all forms of TRS, if the Commission pursued a broad transition away from per-minute compensation, may require significantly more administrative work to implement given the total number of TRS providers. We seek comment on this analysis.

20. On the other hand, should the Commission seek competitive bids and permit, for example, the one, two, or three lowest bidders in each TRS format, including analog TRS, to provide service at the lowest bid rate and cost recovery format. Alternatively, should the Commission set compensation based on the lowest bid without limiting the number of providers at that rate?[79] What would be the effects of setting compensation based on the lowest bid? A competitive bid approach could

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[72] *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CG Docket No. 03-123, Further Notice of Proposed Rulemaking, 21 FCC Rcd 8379, 8384-85, para. 8 (2006) (*2006 TRS Compensation FNPRM*).

[73] *See, e.g., Misuse of Internet Protocol Captioned Telephone Service*; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CG Docket Nos. 13-24 and 03-123, Report and Order, Further Notice of Proposed Rulemaking, Declaratory Ruling, and Notice of Inquiry, 33 FCC Rcd 5800, 5810, para. 18 (2018) (*2018 IP CTS Reform Order* or *2018 IP CTS Reform FNPRM*) (efficiency mandate in section 225 requires that the IP CTS compensation rate must correlate to actual reasonable costs for the service).

[74] If we adopt cost-based rates, analog TRS providers will be required to file annual cost and demand data with the Fund administrator as the Internet-based TRS providers do now. This information, including actual costs for prior years and projected costs for future years, will help determine the reasonableness of rates for each service format. The Fund administrator collects this data annually on the Interstate TRS data requests. *See* 47 CFR § 64.604(c)(5)(iii)(D)(*1*); *see also, e.g.*, *2006 TRS Cost Recovery FNPRM,* 21 FCC Rcd at 8383-84, para. 6 (describing process for determining per minute compensation rates).

[75] *See 1993 TRS Third Report and Order,* 8 FCC Rcd at 5305, para. 29.

[76] *See* 47 CFR § 36.2(a)-(b).

[77] *See 2004 TRS Cost Recovery Order*, 19 FCC Rcd at 12565-66, para. 236.

[78] *Id.*

[79] *See, e.g., 2018 IP CTS Reform FNPRM*, 33 FCC Rcd at 5845-46, para. 95 (seeking comment on use of reverse auction to set compensation).

produce lower costs for the TRS Fund but risks niche providers cutting back on quality features to match a lower-cost bid submitted by a high-volume competitor. Could the Commission consider the totality of features offered to weight-bids that offer beneficial features beyond the TRS minimum standards? If a bid approach is pursued, would it be more efficient to consider its applications to additional forms of TRS at one time? If so, should such an approach allow for bidding to serve all forms of TRS, multiple forms of TRS, or should each form of TRS receive its own bidding process?

21. Should the Commission maintain a single interstate per minute rate or should we consider establishing different interstate rates for different states? Would establishing a state specific rate increase the potential for a state receiving multiple bids to provide analog forms of TRS? Would multi-state providers be able to sufficiently allocate costs on a state-by-state basis to assist with establishing cost-based rates? What methods of cost allocation should we consider? What are the costs and benefits to per-state rates? Would rates that covered geographic regions as opposed to individual states be more efficient? Would a regional rate increase the potential of adopting rates that overcompensate or undercompensate a provider in a specific state? If the Commission does establish different per minute rates should we consider a variation on the tiered rates approach we currently utilize for VRS, which encourages and maintains competition among both small- and large-volume providers? Should the Commission consider a tiered approach to support states with different analog TRS volumes? For example, should analog minutes be compensated at a higher rate in low volume states because of the underlying higher cost of service per minute than in states with higher volumes and lower costs of service per minute? We are concerned that given the relatively small number of annual minutes for analog TRS, it may be difficult to establish meaningful differences for tiered rates based on volume in these services.[80] How would differences in interstate compensation rates between states affect a provider bidding for a state TRS contract or otherwise seeking to provide service in that state? To what extent does the anticipated interstate rate affect a provider's calculation to continue to provide analog TRS in a particular state.

22. What other compensation schemes should the Commission consider? Should the Commission consider a compensation scheme in which providers are compensated for each subscriber served instead of for each minute served? Should providers be compensated for their fixed costs and be paid a per-minute rate based on the marginal cost of providing one minute of service? What incentives would such schemes create? What are the costs and benefits of these approaches?

23. *CA-based vs. Fully Automated TRS Cost Recovery.* We also note that, unlike the TRS of 30 years ago, recent advances in TRS technology have created categories of TRS based on those formats that rely on communications assistants (CA-assisted) and those that may be automated (ASR-based CTS and IP CTS and fully automated IP Relay, which included both an ASR and text-to-speech component). Other forms of TRS may implement fully automated service as technology advances.[81] With CA-assisted TRS, labor costs constitute a significantly greater proportion of the overall costs of providing the service, as compared to fully automated TRS.[82] Should the Commission adopt a separate methodology specifically for labor-intensive TRS that addresses the costs of labor while offering lower compensation

[80] *Cf. 2023 VRS Compensation Order*, 38 FCC Rcd at 9201, para. 114 (VRS tiers based on call volume less than and greater than 1 million minutes).

[81] *See, e.g.,* The American Sign Language Avatar Project at DePaul University, https://asl.cs.depaul.edu/ (last visited (Aug. 28, 2026); KARA Tech, "Next Gen AI Sign Language," https://www.kara.tech/ (last visited Aug. 28, 2026). TTY mode on mobile phones also uses text-to-speech and ASR. *See* Milliman, Hayley, "What is TTY Mode? How Does It Work on Cell Phones?", PrepScholar (Aug. 8, 2024), https://blog.prepscholar.com/what-is-tty-mode-on-a-cell-phone.

[82] *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9127-29, paras. 63-69 (discussing operating margin for IP CTS in the context of labor-intensive versus capital-intensive businesses).

for automated services?[83] Would such a compensation plan drive providers to unnecessary use of human CAs just to increase funding? To adhere to the efficiency mandate in section 225, how can the Commission encourage the transition to less costly automated services without sacrificing the quality and accuracy that consumers perceive with CA-assisted services?[84]

24. With the proposed retirement of MARS and increasing use of fully automated forms of TRS, can the Commission leverage these outcomes as opportunities to simplify compensation formulas? For example, using compensation for ASR-based and CA-assisted IP CTS as a starting point, could the Commission compensate calls using all fully automated forms of TRS (i.e., using ASR for captions and text-to-speech for vocalization), including TTY, CTS, IP CTS, and IP Relay, at $0.95 per minute and then add $0.50 per minute for formats of these services that involve a CA (i.e., CA-based TTY, CTS, IP CTS, and IP Relay)?[85] The current process of developing separate compensation formulas for these four services is, at least in part, an historical artifact of their implementation at different times and on different networks over the past 35 years. Now, the fully automated versions of these services could rely on the same technologies to produce their common elements: text and vocalization. And, unlike STS and VRS, no specialized skill is required for CAs to caption or voice for a TRS user.[86]

25. Reducing these services to just two compensation elements (basic rate for fully automated and additive for CA-involved) would simplify the administrator's procedures for collection of data and developing compensation formulas. Similarly, the analog sunset and cessation of state programs would not have significant impact on collection of data and developing compensation plans. Are there other benefits of adopting such a two-pronged compensation plan for TTY, CTS, IP CTS, and IP Relay? Are there costs or problematic issues for providers or users? How large are costs of text-to-speech for vocalization? Is there any reason why the CA-related costs vary significantly among these services making it difficult to set a single CA-involved additive?

26. If a provider would not receive adequate compensation from the fully automated and CA-assisted rates, should the provider have the option to submit a cost study, showing its costs? We seek comment on options for compensating such providers for their reasonable costs (including an operating margin). For example, such providers could be compensated for their fixed costs on a monthly basis and paid a per-minute rate covering only their marginal costs per minute for each minute served. Alternatively, such providers could be compensated at the fully automated or CA-assisted rate and paid necessary additional compensation in a lump sum. What incentives would such mechanisms create? Are there other existing remedies to ensure providers cover their costs? We seek comment on these proposed compensation methodologies to replace the MARS plan.

27. *Deterring Waste, Fraud, and Abuse.* Would any of the above-mentioned methodologies or another plan be effective at deterring waste, fraud, and abuse in compensating providers for TRS? The Commission has frequently noted that, if unchecked, waste, fraud, and abuse can drain the TRS Fund and thereby "threaten the availability of . . . relay services that are supported by the Fund for the benefit of

[83] *See infra* para. 38 (seeking comment on applying the CA-assisted additive adopted for CA-assisted IP CTS to all forms of CA-assisted analog TRS).

[84] *See, e.g.,* TDIforAccess, Inc., et al., Petition for Rulemaking to Require Option for Communications Assistants by Stand-Alone Automatic Captioning Providers, CG Docket Nos. 13-24 and 03-123 (filed May 31, 2024), https://www.fcc.gov/ecfs/document/10531086287963/1.

[85] For IP CTS, the current rates are $0.95 per minute for services using only ASR and $1.45 for services using a CA, a $0.50 difference. The Commission also permits a supplemental CA rate of $0.23 per minute when the CA wage is above a certain threshold. The Commission would consider any such additives along with their costs and benefits separate from establishing automated and CA-assisted compensation rates.

[86] STS requires CAs trained to understand the speech patterns of individual with speech disabilities, and VRS CAs must be fluent in American Sign Language.

legitimate users."[87] Do the current compensation plans result in significant amounts of waste, fraud, and abuse? If so, what are the most prevalent potential sources of such waste, fraud, and abuse, and what modifications would minimize occurrence of such unwanted activity? Are some compensation methodologies more likely to increase risks of waste, fraud, and abuse? At what steps in the process for compensating providers are the Commission and Administrator best positioned to detect and prevent fraud effectively?

28. Further, as TRS shifts to fully automated services, are some compensation plans more appropriate to encourage efficiency and prevent waste, fraud, and abuse when human CAs are not involved in calls? Is there an opportunity to encourage efficiency and reduce waste, fraud, and abuse by compensating for improvements in quality or speed of answer through use of automated technologies? As advancing technology enables near-human-quality conversations, should the Commission consider compensation plans with incentives based on targeted goals for conversational accuracy and relay speed?

29. We seek comment on any additional benefits or costs to TRS users, TRS providers, the TRS administrator, and the Commission that we should consider regarding our proposed transition from MARS to a replacement compensation plan. A compensation plan for TRS must ensure that users do not pay for the costs of relaying calls, and providers recover the reasonable costs for providing the service.[88] We seek comment on other potential compensation plans and any other recommendations relevant to adopting an appropriate compensation methodology for analog TRS and TRS in general. Commenters proposing alternative compensation approaches should provide a specific proposal, along with an explanation of how the proposal would align compensation with the objectives of section 225. We seek to ensure that the TRS Fund is compensating providers only for reasonable costs provided in compliance with the mandatory minimum standards and that compensation is based on accurate cost and demand data.

3. Adopting a Cost-based Methodology for Analog TRS.

30. As one alternative methodology, we seek comment on returning to a reasonable-cost-based methodology for interstate analog TRS for the period these services remain in use and during any transition period prior to their sunset.[89] Current average cost methodology has represented an easy-to-implement and reasonable method of compensating eligible providers for the cost of furnishing interstate TRS. Under this methodology, TRS providers submit cost and demand data in response to a request by the TRS administrator. TRS providers submit historical data as well as forecasts of expenses and demand. After reviewing the data, the TRS administrator develops projections of total nationwide and interstate TRS costs, average interstate TRS costs per minute, interstate TRS demand, and TRS funding requirements for the forthcoming Fund Year.[90] The Commission has found that this cost recovery methodology has worked well for Internet-based TRS, is relatively simple to apply, and promotes efficiency of operation. Indeed, the Commission has more than 25 years of experience using this average-cost methodology to set TRS compensation and has developed a consistent approach to determining the reasonable costs for TRS, which we believe can be applied without imposing undue administrative burdens on either providers or the Commission for analog TRS.[91]

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[87] *2013 VRS Reform Order,* 28 FCC Rcd at 8668, para. 130.

[88] *See, e.g., 2007 TRS Compensation Order*, 22 FCC Rcd at 20151-52, para. 21 ("Our mandate, however, is not to achieve any particular rate level, but to ensure that the rates correlate to actual reasonable costs and that the *process* of determining the rates is fair, efficient, and predictable.").

[89] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9554-55, para. 75 (discussing potential sunset of analog TRS).

[90] *See, e.g., 2006 TRS Cost Recovery FNPRM*, 21 FCC Rcd at 8383-84, para. 6.

[91] *See Misuse of Internet Protocol (IP) Captioned Telephone Service*; *Telecommunications Relay Services and Speech to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Structure and Practices of the Video Relay Service Program*, CG Docket Nos. 13-24, 03-123, and 10-51, Report and Order, Order on

31. Under this methodology, when the Commission has sufficient data to adopt a cost-based methodology for analog TRS compensation, we would adopt separate interstate rates for each form of analog TRS (TTY Relay, STS, and CTS). If we adopt this approach, we proposed to direct the TRS administrator to collect data on analog TRS costs in the established cost categories for Internet-based TRS.[92] Consistent with the compensation methodologies for IP Relay, VRS, and IP CTS, we would annually calculate an inflation adjustment from the initial cost-based analog TRS rate and allowing exogenous cost recovery.[93] We would also set a compensation period at four years and apply the same range of operating margin (7.6%-12.35%) as we have for IP CTS, VRS, and IP Relay.[94] Are there any cost categories that are significantly different for analog TRS than Internet-based TRS? Do the costs of interstate analog TRS include any elements that are not included in the costs of intrastate TRS? Given the decreasing use of these services and rapid network modernization, does re-evaluating at 4 year intervals with interim inflation adjustments make sense, or should the Commission consider a different time interval for cost studies? We seek comment on this methodology and the appropriate formulas for determining cost-based rates for analog TRS. Are there any service-specific aspects of the IP Relay compensation plan, VRS compensation plan, and IP CTS compensation plan, that should be included within this methodology, if adopted for the analog TRS?

32. *Setting Interim Compensation Rates Pending Collection of Cost-Based Data.* The TRS Fund administrator does not currently collect cost and demand data from providers of analog services.[95] Thus, at this time, we do not have such cost and demand data available from providers of analog TRS to determine cost-based rates for interstate analog TRS.[96] We seek comment on whether to pursue an interim compensation proxy, pending the collection of relevant data and adoption of a new methodology. Or should we retain the MARS plan until a new methodology is implemented? If we adopt a cost-based methodology, do providers have sufficient data readily available for submission to the Commission to allow us to immediately calculate and implement new cost-based rates for TTY Relay, STS, and CTS? What cost and demand data do analog TRS providers have available now, if requested by the Commission? If the available data is not sufficient to immediately transition to cost-based rates, could such data still provide a reasonable basis for the Commission to implement a glide path to fill any significant gap between current rates and cost-based rates for TTY Relay, STS, and CTS?[97] If so, over what time period should the glide path be in place?

33. *Setting Internet-based TRS Proxy Rates.* As an alternative to developing cost-based rates at this time, should we establish compensation rates using similar Internet-based services as a proxy?

Reconsideration, and Further Notice of Proposed Rulemaking, 35 FCC Rcd 10866,10871-72, para. 14 (2020) (*2020 IP CTS Compensation Order*).

[92] *See* 2026 TRS Fund Annual Report: TRS Provider Filing Instructions.

[93] Also consistent with the compensation methodologies for IP Relay, VRS, and IP CTS, we propose using the change in the Employment Cost Index for private industry workers in professional, scientific, and technical services (the Index), as compiled by the Bureau of Labor Statistics of the U.S. Department of Labor, between the fourth quarters of the prior two years, to determine the inflation adjustment. *See* 47 CFR §§ 64.640(c)-(d); 64.641(b)(2-3); 64.643(b)-(c).

[94] *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9127-28, paras. 64-65; *2023 VRS Compensation Order*, 38 FCC Rcd at 9187, para. 71; *2022 IP Relay Compensation Order*, 37 FCC Rcd at 8020, para. 29.

[95] *See 2007 TRS Compensation Order*, 22 FCC Rcd at 20150-58, paras. 16-38.

[96] The TRS Fund administrator collects from the states the data on their contract rates (flat-rate, or per-minute), other expenses paid to the provider, and session or conversation minutes for each service. *See* 2026 TRS Fund Annual Report: State TRS Filing Instructions at 5-6.

[97] For IP CTS, the Commission has recently employed a "glide path" to cost-based rates when the existing rates were overcompensating providers. *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9130, para. 72; *2020 IP CTS Compensation Order,* 35 FCC Rcd at 10870-71, para. 11.

Specifically, should we align the interstate TTY Relay and STS rates[98] with the current IP Relay rate[99] and align the interstate CTS rate with the comparable IP CTS rate?[100] Using Internet-based TRS rates as a proxy would result in significantly lower compensation for TTY Relay, STS, and CTS (from $9.1713 for TTY Relay and $10.3023 for STS to $2.2710 and from $3.3885 for CTS to $1.45).[101] We seek comment on this alternative. What are the costs and benefits to this approach? If, as we proposed in the *2025 Analog TRS Modernization NPRM*, the Commission facilitates moving analog TRS users to Internet-based alternatives,[102] is it inefficient to maintain compensation for analog TRS at rates higher than the Internet-based alternatives? Could higher rates for analog TRS be justified once a clear sunset date is established in order to ensure a smooth transition for both users and service providers?

34. Like CA-assisted forms of IP Relay, analog TTY Relay and STS have traditionally relied on a CA as the intermediary between the TRS user and the other party, and employee salaries and related costs of labor and staffing, such as maintaining call centers and communications equipment for staff, form the largest portion of the costs of all CA-based services.[103] Similar comparisons can be made for CTS and IP CTS, whether CA-assisted or ASR-based, the difference being the network over which the calls are transmitted, PSTN for CTS and Internet for IP CTS.[104] While there is a significant difference between the current rates for Internet-based services and analog TRS, as the TRS Fund administrator reported, the significantly higher analog TRS rates appear to be a product of the declining market for state TRS and the

[98] Under MARS, one rate is calculated for TTY Relay and STS with an additive for outreach added to the TTY rate for STS. *See 2007 TRS Compensation Order*, 22 FCC Rcd at 20165, para. 57. We will continue to link the rates for TTY Relay and STS unless cost data collected in the future suggest separate rates.

[99] While we seek comment on potential changes to the IP Relay compensation methodology and rate in this proceeding, we believe, as discussed *infra*, that it is reasonable to utilize the current, inflation-adjusted, cost-based compensation rate for the provision of IP Relay on an interim basis to establish the compensation rate for TTY and STS.

[100] The principal difference in handling CTS or IP CTS calls is that the former use of the copper-based PSTN and the latter use the Internet. *See Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*; *Internet-based Captioned Telephone Service,* CG Docket No. 03-123, Declaratory Ruling, 22 FCC Rcd 379, 388, para. 21 (2007) (*IP CTS Declaratory Ruling*) ("The record reflects that IP captioned telephone service simply describes a new way that consumers with hearing disabilities can access the telephone system through TRS that will accommodate persons who wish to speak to the other party and simultaneously both listen to what the other party is saying and read captions of what is being said.").

[101] *See 2026 TRS Compensation Order* at 1, paras. 2-3.

[102] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9551-52, paras. 65-69.

[103] *See, e.g., 2007 TRS Compensation Order,* 22 FCC Rcd at 20159, para. 21 ("we believe that the costs of providing traditional TRS and IP Relay are generally similar—in many instances, for example, the same CAs, sitting at the same offices, handle both traditional TRS and IP Relay calls"); *2006 TRS Compensation FNPRM*, 21 FCC Rcd at 8388, para. 19 ("We understand that in many instances the same CAs working at the same TRS facility handle traditional TRS and IP Relay calls interchangeably, and that the only difference between the calls is how they reach the relay center (*i.e.,* via the PSTN or via the Internet.")); *2020 IP CTS Compensation Order,* 35 FCC Rcd at 10881-82, para. 28 (adopting operating margin in lieu of return on plant investment for IP CTS because "IP CTS remains at present a labor-intensive industry in which communications assistants play a major role"); *Telecommunications Relay Services; the Americans With Disabilities Act of 1990; the Telecommunications Act of 1996,* CC Docket No. 90-571, Notice of Inquiry, 12 FCC Rcd 1152, para. 20 (1997) ("Since TRS I, we have been acutely aware that TRS is 'labor intensive'"). In 2007, AT&T noted that it used the same CAs and equipment to provide IP Relay and traditional TRS, and therefore "its cost in providing these two services is not materially different." *2007 TRS Compensation Order*, 22 FCC Rcd at 20158-59, para. 40 (quoting AT&T Comments). Because of the skills required of VRS American Sign Language (ASL) interpreters, we believe VRS to have significantly different cost requirements. *See, e.g., 2023 VRS Compensation Order*. 38 FCC Rcd at 9182-83, paras. 59-63.

[104] *See IP CTS Declaratory Ruling,* 22 FCC Rcd at 388, para. 21 (describing similarities between IP CTS and both CTS and IP Relay).

increase in flat-rate contracts with higher implicit per-minute pricing.[105] If we adopt the interim proxy-rate approach, should we establish a glide path for transitioning to the rates for comparable forms of Internet-based TRS to lessen the immediate impact of lower rates, and if so, over what time period?

35. Despite the similarities in how TTY Relay, STS, and IP Relay are offered, should we exclude STS from this approach, until a compensation rate for Internet Protocol Speech-to-Speech Relay Service (IP STS) is established?[106] In the *2025 Analog TRS Modernization NPRM*, we proposed retaining the mandatory status of STS because it did not have an explicit Internet-based alternative.[107] Should we follow a similar approach for compensating STS providers, until IP STS or another suitable Internet-based solution is sufficiently developed and widely available? Should we continue using MARS for just STS? Would such an approach countermand the efficiency mandate in section 225?

36. Should we consider any other alternatives to these proposals for interim proxy rates? Commenters proposing alternative approaches that could improve the compensation-setting process for analog TRS should provide a specific proposal, along with an explanation of how the proposal would align compensation with the objectives of section 225.

37. *Reconsidering the STS Outreach Additive.* The *2025 Analog TRS Modernization NPRM* sought comment on whether to continue the current STS outreach additive of $1.131 per minute.[108] We intend to consider the record developed in that rulemaking proceeding as part of this proceeding. We seek comment on any additional views beyond what is already in that record. In addition, specific to establishing a compensation methodology for STS, we seek comment on the following questions. If the Commission adopts a compensation methodology that is not per minute based, how should it ensure providers are engaged in sufficient STS outreach? Or, after 19 years of monitoring outreach activity should the Commission feel confident that STS providers have reached the relevant market and will continue to do sufficient outreach for the STS program? If the Commission adopts a cost-based pricing methodology that includes outreach as an allowable cost category,[109] would a separate additive for STS remain warranted? If the Commission adopts an Internet-based TRS proxy for the STS rate, which includes reported outreach costs that were considered in establishing the compensation rate,[110] would a separate STS outreach additive remain warranted? Is the cost to provide STS outreach significantly different on a per-minute basis from the cost of outreach for Internet-based forms of TRS to warrant continuation of a separate outreach additive? Should the Commission consider alternative methods of funding STS outreach, such as establishing an annual, fixed amount outreach allocation, similar to our approach with the National Deaf Blind Equipment Distribution Program? To answer these questions, we seek comment on the methods and effectiveness of STS outreach since the additive was implemented in 2007.

38. *Applying a Supplement for CA-Assisted Analog Relay.* In the *2024 IP CTS Compensation Order*, the Commission adopted a supplement to the base rate for CA-based IP CTS "applicable to the

[105] *See* 2025 TRS Fund Annual Report at 11-12.

[106] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9546-47, paras. 51-52 (proposing to authorize IP STS).

[107] *See id.* at 9547, para. 54.

[108] *See id.* at 9550, para. 64. In 2007, the Commission adopted an additional amount, on a per-minute basis, for an STS provider to conduct outreach on the belief that the outreach efforts up to that point had been unable to reach the potential pool of STS users. *2007 TRS Compensation Order*, 22 FCC Rcd at 20166, para. 61. The amount of $1.131 per minute was added to the STS compensation rate calculated under the MARS plan. *Id.* The Commission has approved the outreach additive at the same rate in each subsequent TRS Fund year.

[109] *See, e.g., 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8015-17, paras. 14-19; 2026 TRS Fund Annual Report: TRS Provider Filing Instructions at 10.

[110] *2022 IP Relay Compensation Order*, 37 FCC Rcd at 8015-17, paras. 14-19; 2026 TRS Fund Annual Report: TRS Provider Filing Instructions at 10.

minutes handled by CAs whose hourly wages exceed a threshold amount."[111] Payment of the supplement is conditioned on "verification by audit that the CAs producing captions for minutes for which the supplement was paid actually were paid the hourly rate claimed by the provider."[112] We do not seek to revisit this rule for IP CTS in this proceeding. We do, however, seek comment on whether a similar supplement should apply to the analog forms of TRS. The supplement was adopted to encourage improvements in the quality of CA captioning for IP CTS.[113] Does this concern also apply in the context of CTS? We seek comment on whether the supplement should apply to qualifying minutes of CTS if CA-based CTS is compensated using a cost-based methodology or using the IP CTS CA-assisted rate as a proxy. If the Commission adopts an alternative to per-minute compensation, are there other incentives or methods we should consider to encourage improvements in the quality of CA captioning? Further, do the same concerns apply to TTY and STS? It seems likely that the same CAs captioning CTS calls in call centers will also handle TTY and, potentially, STS calls. We seek comment on whether any supplement or incentive for CA-assisted CTS should also apply to CA-assisted TTY and STS.

4. Funding State Program Costs in the IP Transition.

39. The Commission has proposed a target date of December 31, 2028, for transitioning support for voice services away from time division multiplex (TDM) networks to IP-based services.[114] The three analog TRS—TTY, STS, and CTS—were designed to operate on the TDM-based PSTN and may, as a practical matter, be prime targets for sunsetting after a transition to all-IP networks or states seek to discontinue supporting the analog services in their TRS programs. While both TTY-based relay services and STS may continue to operate in an all-IP environment,[115] it may be beneficial and efficient to transition to all Internet-based forms of TRS. In any event, we anticipate this period could involve a decline in the availability of analog TRS through state programs and potential uncertainty of funding through state programs.

40. As a result of the IP transition, states may terminate their TRS programs and support for intrastate TRS and related programs,[116] necessitating TRS users to transition to Internet-based TRS. We anticipate that TRS providers would seek compensation for intrastate calls using TTY, STS, and CTS from the TRS Fund if a state program ceases operation.[117] We seek comment on how to address certain additional costs that may be involved in transitioning analog TRS users to Internet-based services or related FCC-managed programs. For example, some states have a single pool of funding for both intrastate TRS and an equipment distribution program (EDP).[118] A state TRS/EDP fund may also allow

[111] *See* 47 CFR § 64.641(c); *2024 IP CTS Compensation Order*, 39 FCC Rcd at 9125, para. 60.

[112] *2024 IP CTS Compensation Order*, 39 FCC Rcd at 9133, para. 81.

[113] *2024 IP CTS Compensation Order*, 39 FCC Rcd at 9125, para. 60 ("the quality of CA-assisted service likely will benefit if CAs are paid at higher hourly rates").

[114] *See All-IP Pricing Reform NPRM*, 41 FCC Rcd at 1943, para. 50; *Facilitating IP Transition NPRM*, 40 FCC Rcd at 8585-86, para. 44.

[115] *See* Comments of Hamilton Relay, Inc., CG Docket Nos. 03-123 and 08-15, at 3 (filed Feb. 2, 2026) ("Hamilton wishes to confirm that TTYs (using Baudot technology) can continue to operate reliably and effectively over IP-based networks for both point-to-point calls and relay services.").

[116] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9536-38, paras. 19-24.

[117] *See 2025 Analog TRS Modernization NPRM,* 40 FCC Rcd at 9552, paras. 70-71; *2006 TRS Compensation FNPRM*, 21 FCC Rcd at 8388-89, para. 20 ("Because the actual cost of providing a traditional TRS or STS call should be the same regardless of its jurisdictional nature, the intrastate rate may provide a reasonable and fair recovery for interstate calls as well."). By analogy, an interstate rate should also compensate for intrastate calls.

[118] *See, e.g.,* Comments of State of New Mexico Commission on Deaf and Hard of Hearing, CG Docket Nos. 08-15 and 03-123, at 2-3 (filed Feb. 3, 2026) (NM Commission Comments); Comments of Tennessee Public Utility Commission, CG Docket Nos. 03-123 and 08-15, at 1 (filed Jan. 28, 2026); *see also 2025 Analog TRS*

recovery of costs for outreach to consumers who need relay service and equipment and for training on the use of equipment to access TRS.[119] We seek comment on extent to which state EDPs are tied to TRS programs and whether consumers would still be able to access equipment for use with analog or Internet-based relay services and training in how to use such equipment.

41. In a state with an EDP, would termination of the TRS program also result in termination of the EDP and any training program, or would the EDP and training program remain funded and actively serving consumers? Given the continuing decline in analog TRS usage, to what extent are outreach, equipment, and training still likely to be supported for the use of analog TRS, or would the program only support Internet-based equipment?

42. Although the TRS Fund supports outreach to existing and potential TRS users, the Commission has not found authority in section 225 of the Act for TRS Fund supported provision of equipment to TRS users.[120] What, if any, alternative sources of funding for TRS equipment and training may be available in the states to the extent such funding continues to be needed? Are there other additional costs currently covered by state programs in addition to those mentioned above? To what extent would such costs continue to be needed after the discontinuance of a state program, and how would they be recoverable going forward either through state funds or the TRS Fund? Will states that discontinue their TRS programs concurrently enact replacement funding mechanisms?

43. We also seek comment on to what extent state EDP programs or TRS providers are able to assist in the transition of analog TRS users to Internet-based TRS.[121] If the state's source of EDP funding is not available, should the TRS Fund reimburse a state for conducting outreach and training to transition consumers to Internet-based TRS, and does the Commission have legal authority to authorize such use of the TRS Fund? Alternatively, should outreach and training activities be conducted by Internet-based TRS providers? If resources from the TRS Fund are used, should the Commission prohibit use of any funds for support of ongoing use of analog equipment?

44. As the Commission noted in the *2025 Analog TRS Modernization NPRM*, it "has the same oversight and authority with respect to ensuring the availability and provision of both intrastate and

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Modernization NPRM, 40 FCC Rcd at 11, para. 27 (seeking information on state EDPs); *id*. at 23-24, para. 72 (noting California's TRS program provides subsidized CPE for persons with disabilities).

[119] *See 2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9551-52, para. 68 (discussing and seeking comment on state TRS outreach).

[120] *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, Memorandum Opinion and Order, 21 FCC Rcd 8063, 8071, para. 17 (2006); *see also 2007 TRS Compensation Order*, 22 FCC Rcd at 20170-71, para. 82; *Structure and Practices of the Video Relay Service Program*; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket Nos. 10-51, 03-123, Report and Order and Further Notice of Proposed Rulemaking, 28 FCC Rcd 8618, 8696, paras. 193-94 (2013) (*2013 VRS Reform Order*); *Structure and Practices of the Video Relay Service Program*; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket Nos. 10-51 and 03-123, Report and Order and Order, 32 FCC Rcd 5891, 5897-5901, paras. 12-19 (2017) (*2017 VRS Compensation Order*); *2023 VRS Compensation Order*, 38 FCC Rcd at 9177, para. 44; *Sorenson Communications, Inc., v. FCC*, 659 F.3d 1035, 1044-45 (D.C. Cir. 2011) (statute does not require that "VRS users receive free equipment and training," only that they "pay no higher rates for calls than others pay for traditional phone services," and exclusion of CPE costs does not undermine section 225 goal of not discouraging or impairing development of improved technology); *Sorenson Communications, Inc., v. FCC*, 765 F.3d 37, 44 (D.C. Cir. 2014).

[121] The Commission's most recent broadband availability report indicates that nearly all U.S. residents have access to fixed broadband at 100/20 Mbps. *See Inquiry Concerning Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion,* GN Docket No. 25-223, 2026 Section 706 Report, FCC 26-55, at 17, Fig. 1 (Aug. 14, 2026).

interstate TRS."[122] Comments in that proceeding indicate that outreach to analog TRS users and training in digital skills may be significant factors in the transition of remaining analog TRS users to an all-IP TRS program.[123] To what extent are Internet-based TRS providers able to provide such outreach and training, and if so, are any additional adjustments to our "reasonable cost" criteria necessary to allow recovery of such costs? Alternatively, how can the Commission partner with states to ensure the ongoing recovery of these costs during the transition to Internet-based TRS—through funding for states or some other means? And can the Commission require that disbursements from the TRS Fund only support the transition to Internet-based equipment and services, i.e., stop funding minutes of use on analog services?

B. Updating IP Relay Compensation

45. In 2022, the Commission adopted a four-year compensation plan for IP Relay, for the period from July 1, 2022, through June 30, 2026.[124] As noted above, the Commission's methodology for IP Relay defines allowable costs as a provider's reasonable costs directly attributable to the provision of TRS,[125] and providers report costs to the TRS Fund administrator in broadly defined cost categories.[126] The compensation rate is determined based on the weighted average of all providers' costs.[127] For IP Relay, unlike VRS and IP CTS, the Commission in 2022 considered two years of projected cost, rather than one year of historical cost and one year of projected cost. The IP Relay operating margin is currently set at the upper end of the range (7.6%-12.35%) deemed reasonable for Internet-based TRS.[128] The four-year compensation period ended on June 30, 2026, and was extended until June 30, 2027, unless a different expiration date is set by subsequent Commission action.[129] We seek comment on IP Relay compensation going forward using our reasonable cost-based methodology for the service as currently configured as well as several alternative methods of compensating IP Relay providers now that fully automated IP Relay is available.

1. Setting IP Relay Compensation for the Next Compensation Period.

46. As an initial matter, we seek comment on whether we currently have sufficiently reliable cost and demand data from new IP Relay entrants to justify resetting the compensation rate. We recognize that the IP Relay market is evolving, with the two new entrants receiving certification to provide the service using ASR and text-to-speech technology in December 2024, now having submitted just one full year of data to the administrator.[130] As new entrants, they may have higher costs-per-minute than the one established provider. On the other hand, providing IP Relay without CAs may result in lower costs for the new entrants. We therefore seek comment on whether to reset the base compensation rate, considering new entrants' costs of providing IP Relay, or to use as the initial base compensation rate for Fund Year 2026-27, the rate as it would be determined by the formula adopted in the *2022 IP Relay*

[122] *2025 Analog TRS Modernization NPRM*, 40 FCC Rcd at 9537-38, para. 24 (citing 47 U.S.C. § 225(b)).

[123] *See* Comments of Wyoming Relay, CG Docket Nos. 03-123 and 08-15, at 3-4 (filed Feb. 2, 2026); NM Commission Comments at 3.

[124] *See* 47 CFR § 64.640.

[125] *See 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8010, para. 3; *2004 TRS Cost Recovery Order,* 19 FCC Rcd at 12544, para. 182 & n.520; *2007 TRS Compensation Order*, 22 FCC Rcd at 20168-69, para. 74.

[126] *See supra* paras. 30-31.

[127] When adopted in 2022, there was only provider of IP Relay.

[128] *2022 IP Relay Compensation Order,* 37 FCC Rcd at 8013, para. 9.

[129] *See 2026 TRS Compensation Order,* at 5-6, paras. 13-17.

[130] *See generally InnoCaption IP Relay Order,* 39 FCC Rcd 13800; *Nagish IP Relay Order,* 39 FCC Rcd 13811. InnoCaption and Nagish would have submitted data for 2025 in February 2026.

Compensation Order.[131] Commenters recommending that we revise and reset the base compensation rate should explain what factors we should consider in setting the base rate. Further, does the changing nature of the IP Relay market make a longer or shorter compensation period potentially more appropriate?

47. We also seek comment on whether to continue adjusting the CA-assisted IP Relay compensation rate annually using an inflation factor.[132] Are there reasons to discontinue adjusting the rate to account for inflation. Although we note that the Commission continues to use the Bureau of Labor Statistics' Employment Cost Index to determine the inflation factor for VRS and CA-assisted IP CTS, would another source be more appropriate as an inflation factor? Assuming we continue to use the Bureau of Labor Statistics' Employment Cost Index, we propose to continue the current practice of determining the inflation factor on a calendar year basis.[133] Should we modify this practice if, as discussed below, we move the start date for the Fund Year to October 1?

48. Similarly, we seek comment on whether to continue permitting recovery of exogenous costs, i.e., "costs beyond the control of the IP Relay providers that are not reflected in the inflation adjustment, such as costs necessitated by a new service requirement adopted by the Commission."[134] Recovery for well-documented exogenous costs is available, via an upward compensation adjustment, "for costs that (1) belong to a category of costs that the Commission has deemed allowable, (2) result from new TRS requirements or other causes beyond the provider's control, (3) are new costs that were not factored into the applicable compensation formula, and (4) if unrecovered, would cause a provider's current costs (allowable expenses plus operating margin) to exceed its revenues."[135] Is there any reason to deviate from continuing to use the same criteria for permitting recovery of exogenous costs for IP Relay as for VRS and IP CTS?

49. Assuming that we conclude that there is sufficiently reliable cost data at this time to reset compensation levels based on cost, we seek comment on maintaining the same IP Relay compensation methodology as set forth in the *2022 IP Relay Compensation Order*, except for the modifications proposed below. We also seek comment on whether the next IP Relay compensation plan should be effective for another four TRS Fund year periods, through September 30, 2031.[136] We seek comment on these proposals.

50. We propose to adjust the allowed operating margin for IP Relay providers, to harmonize it with the approach taken in recent orders setting compensation for VRS and IP CTS. In 2022, the Commission set the operating margin for IP Relay at 12% which is at the higher end of the reasonable range the Commission has for other forms of Internet-based TRS (7.6% to 12.35%).[137] This setting was based on the Commission's concerns that, with only one IP Relay provider, the operating margin should be set to encourage that single provider to stay in the market.[138] Now that there are two new IP Relay entrants, we propose to set the operating margin at a lower point, 10%, consistent with the lower risk of service interruption due to providers potentially exiting the market. Further, a 10% operating margin is in

[131] The Commission set the Fund Year 2026-27 rate based on the existing compensation formula. *See 2026 TRS Compensation Order*, at 6, para. 17.

[132] *See* 47 CFR § 64.640; *2022 IP Relay Compensation Order*, 37 FCC Rcd at 8024, para. 41.

[133] *See, e.g.,* 47 CFR § 64.640(d) (inflation factor based on fourth quarter value of year preceding start of Fund Year and the fourth quarter of the previous year).

[134] *2022 IP Relay Compensation Order*, 37 FCC Rcd at 8026, para. 46 (quoting *2007 TRS Compensation Order*, 22 FCC Rcd at 20160, para. 44) (internal quotation marks omitted).

[135] 47 CFR § 64.640(d); *see also 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8026, para. 46. Presently, these criteria are also used in the context of compensating exogenous costs for VRS and IP CTS.

[136] *See infra* Part III.C. (proposing to amend the TRS Fund year to run from October 1 through September 30).

[137] *See 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8021, para. 30.

[138] *See id.*

line with the operating margin for IP CTS.[139] The presence of new entrants suggests that the risk involved in the provision of IP Relay is not perceived to be significantly higher than that for other forms of Internet-based TRS, and that accordingly the allowed operating margin should be comparable.[140] Further, we believe that, as we determined for ASR-based IP CTS and CA-assisted IP CTS, it is likely that fully automated IP Relay and CA-assisted IP Relay have the same level of risk and should have the same reasonable range of operating margin.[141] We seek comment on this belief.

51. Are there any other modifications to the IP Relay compensation methodology or different parameters the Commission previously considered that we should now explore? Should we consider revising the allowable-cost criteria in any way?[142] Should we revert from using only projected costs and demand as the basis for calculating the base compensation level for IP Relay and return to using the average of one year of historical cost and one year of projected cost?[143] Should we apply to CA-assisted IP Relay the same supplement to encourage improvements in the quality of CA captioning as applied to IP CTS?[144] Does the same concern regarding quality also apply in the context of IP Relay? On the other hand, are there concerns that a supplement would create incentives for the overprovision of CA-assisted IP Relay for customers and contexts where fully automated IP Relay is functionally equivalent? We seek comment on whether the supplement should apply to qualifying minutes of IP Relay if, as proposed here, CA-assisted IP Relay is compensated using a cost-based methodology.

52. *Price Cap Methodology.* With the introduction of new entrants, should we return to using an efficiency or productivity factor to offset the inflation factor? In a price cap like methodology, adopted for IP Relay in 2007, the base compensation level was subject to annual adjustments for inflation and efficiency based on pre-approved factors.[145] The paired inflation and efficiency adjustments were designed to reflect the rate of inflation in the economy as well as the productivity gains achieved by the providers.[146] In 2007, IP Relay was a relatively new service, for which substantial efficiency improvements might be expected.[147] However, IP Relay is now an established service, and, as noted above, IP Relay usage is low, compared to VRS and IP CTS. In the *2022 IP Relay Compensation Order*, the Commission explained that "[w]ithout the presence of multiple competing providers, there is less likelihood of a competitive incentive to achieve annual gains."[148] The two new entrants offering IP Relay may be lower cost by design because they do not rely on CAs. Do these additional providers create a competitive incentive for the CA-assisted provider to become more efficient in the delivery of CA-assisted IP Relay? If the Commission returned to the price cap like methodology adopted in 2007 for IP Relay, are there any elements in setting the base rate that we should reconsider? Would a weighted average of providers' reasonable costs serve as a sufficient base level? What alternatives should we

[139] *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9127, para. 64.

[140] In addition to the CA-based provider, there are two pending applications for certification as new provider of IP Relay. *See* Application of Hamilton Relay, Inc., for Certification as a Provider of Internet Protocol Relay Services, CG Docket No. 03-123 (filed Feb. 24, 2026); Internet-Based TRS Certification Application of SignWow, LLC, for Certification to Provide Video Relay Service, IP Captioned Telephone Service, and IP Relay Services, CG Docket No. 03-123 (filed Aug. 6, 2026).

[141] *See 2024 IP CTS Compensation Order,* 39 FCC Rcd at 9129, para. 69.

[142] *See 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8015-22, paras. 14-33.

[143] *See id.* at 8022-23, paras. 34-36.

[144] *2024 IP CTS Compensation Order*, 39 FCC Rcd at 9125, para. 60 ("the quality of CA-assisted service likely will benefit if CAs are paid at higher hourly rates").

[145] *2007 TRS Compensation Order,* 22 FCC Rcd at 20159-60, paras. 43-45.

[146] *Id.* at 20159-60, para. 43.

[147] *2022 IP Relay Compensation Order*, 37 FCC Rcd at 8025, para. 44.

[148] *Id.* at 8025, para. 45.

consider? Should the Commission set a rate based on the allowable costs of a hypothetical, reasonably efficient competitor?

2. Assessing the Impact of Fully Automated IP Relay on Compensation.

53. As an alternative to continuing or modifying the existing IP Relay compensation methodology or returning to a price cap methodology, we seek comment on whether to modify our approach to compensation for this service now that it can be offered in automated component parts that do not require CAs, which previously contributed to the largest share of costs of providing the service.

54. *Bifurcating IP Relay Rates.* First, we seek comment on whether to bifurcate the rates of IP Relay compensation, setting one rate applicable to conversation minutes in which a CA is assisting with the call (i.e., a "CA-assisted rate")[149] and another rate applicable to conversation minutes in which no CA is assisting with the call, i.e., the call is handled by text-to-speech technology and ASR (a fully automated IP Relay call). As a result, IP Relay would no longer be compensated using a single rate based on the weighted average of *all* IP Relay providers' costs.

55. Historically, while the Commission has applied separate compensation rates to different relay *services*, the Commission has rarely applied separate rates to different *methods* of providing a *single* relay service.[150] Where technological advances enable a service to be provided at a reduced cost, efficiency considerations generally favor encouraging adoption of the new technology by averaging all providers' costs into the single rate, thus allowing providers that adopt the new technology to retain much of the resulting cost savings.

56. However, in the *2024 IP CTS Compensation Order*, the Commission found that special considerations warranted the application of separate rates to CA-assisted and ASR-based IP CTS.[151] The Commission reasoned that: (1) ASR-based IP CTS had substantially lower costs than CA-assisted service; (2) for some IP CTS calls, CA-assisted captioning was preferred by some consumers; and (3) a single compensation rate which included the costs of CAs created an incentive for providers to use the lower-cost ASR-only mode, even for calls where a user could benefit from CA involvement.[152] The Commission also noted that "continued application of a single formula may lead to waste of TRS Fund resources and increase the risk of fraud and abuse."[153]

57. Are there comparable special considerations that warrant the application of separate rates to CA-assisted IP Relay and fully automated IP Relay? Would bifurcating IP Relay rates encourage providers to offer consumers both CA-assisted and fully automated types of service? Would a bifurcated rate discourage providers from adopting more efficient technology or otherwise seeking to reduce costs related to the CA-assisted version of IP Relay? Would a bifurcated rate substantially increase the risk of waste, fraud, and abuse in the provision of IP Relay?[154] Should users be able to switch between a CA and an automated service for either the text-to-speech or speech-to-text, aspect of the call if the provider can support the option? Are there other costs or benefits the Commission should be aware of when considering bifurcated rates for IP Relay?

58. If we were to determine that bifurcated rates are desirable, is there enough reliable cost and demand data currently available to enable the Commission to calculate a separate, cost-based rate for

[149] An IP Relay CA could produce captions of the other party's speech while a text-to-speech program voices for the user, or the CA could voice for the user while an ASR program produces captions on the user's device.

[150] *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9106-07, para. 19.

[151] *See id.* at 9106-12, paras. 19-28.

[152] *See id.* at 9106-07, para. 19.

[153] *Id.*

[154] *See id.* at 9112, para. 28 ("Adopting revised [bifurcated] formulas also will substantially reduce the current waste of TRS Fund resources (as well as possible incentives for fraud and abuse").

fully automated IP Relay? If not, are there other steps the Commission should take to address the concerns outlined above? For example, should we set a compensation rate for fully automated IP Relay at some percentage of the CA-assisted rate until we have sufficiently reliable data to set cost-based rates for both formats? Could the compensation rate for ASR-based IP CTS serve as a proxy for fully automated IP Relay? Are there additional costs providers incur when offering text-to-speech capabilities or other aspects of the provision of fully automated IP Relay that suggest providers would be unable to recover their costs, if compensated at the current ASR-based IP CTS rate? Are the cost categories sufficiently detailed to allow us to reasonably determine CA-related costs from the reported IP Relay costs? For example, would additional IP Relay providers result in duplication of outreach efforts?[155]

59. Regardless of whether we decide to apply a separate rate (i.e., a bifurcated IP Relay rate or a rate based on the ASR-only IP CTS rate) to *fully* automated IP Relay, we propose that the compensation formula for CA-assisted IP Relay will apply to all versions of IP Relay where a CA is involved. We believe the cost of CA-assistance on an IP Relay call is likely the same regardless of whether the CA is providing text-to-speech, speech-to-text, or both, and that the impact to the minute length would be negligible. In other words, the same rate will apply if a CA is vocalizing for the user, or captioning the other party's conversation, or both. We seek comment on this proposal, our assumptions, and on other measures we might take to simplify the compensation methodologies for forms of TRS using automated text-to-speech and ASR.

60. *Eliminating a Separate CA-Assisted Rate.* Two of the certified providers of IP Relay only offer automated service, and the Commission has received additional applications from entities seeking to provide automated IP Relay, including the current provider of CA-assisted IP Relay. Given this transition of the service toward fully automated IP Relay, we seek comment on whether we should continue to fund a rate based on costs for providing CA-assisted IP Relay? Section 225 requires the Commission to fund TRS "in the most efficient manner"[156] and to encourage "the use of existing technology and [] not discourage or impair the development of improved technology."[157] Would setting a rate based on cost data for fully automatic IP Relay be consistent with these requirements in section 225? Would IP Relay users experience any harms if, as a result, providers discontinue CA-assisted IP Relay? In what types of conversation or what contexts can IP Relay users tell any difference between CA-assisted and fully automated IP Relay? Would eliminating a CA-assisted rate also curtail any provider incentives for, and mitigate the risk of waste, fraud, and abuse?[158]

61. As a second alternative, should we adopt a single IP Relay rate at, for example, 110% of the weighted-average cost of fully automated IP Relay for *all* forms of IP Relay to encourage providers to rely on the lowest-cost technology? IP Relay providers would achieve greater operating margins to the extent they rely on ASR and text-to-speech technology, but, if consumers desire, a provider could still offer users access to CA-based IP Relay and distinguish itself in the market. Is this approach preferable to bifurcated rates or a rate based solely on the costs of fully automated IP Relay? Would offering CA-assisted IP Relay still be economically viable with this methodology? Should we also determine what the fully-automated rate would be if all providers stop offering CA-assisted service?

C. Revising the TRS Fund Administrative Schedule

62. To ensure the Commission adopts TRS rates by July 1, the Fund administrator requires TRS providers to submit their cost and demand data for consideration for the upcoming Fund Year in

[155] *See 2022 IP Relay Compensation Order*, 37 FCC Rcd at 8016-17, para. 18 (expressing concern for waste, fraud, and abuse in outreach with multiple IP Relay providers).

[156] 47 U.S.C. § 225(b)(1).

[157] *Id.* § 225(d)(2).

[158] *See 2024 IP CTS Compensation Order*, 39 FCC Rcd at 9114, paras. 33-34.

February[159] and submits its recommended compensation formulas and contribution factors by May 1.[160] In practice, this schedule is not always met without adjustments. TRS providers must submit calendar year data to the administrator, and, frequently, that information on the previous year is not fully available until later in the spring, and, as a result, they submit supplements to the data provided to the administrator. For example, in 2026, four providers submitted late reports and eight submitted subsequent supplements.[161] To account for the new data, the administrator typically submits a revised version of its proposed contribution formulas and contribution factors sometime in June—after the Consumer and Governmental Affairs Bureau has set the date for comments from interested parties on the administrator's initial report and recommendations.[162] Further, if a provider fails to submit timely data, then its cost and demand information would not be factored into the costs of service and compensation levels recommended by the administrator.[163]

63. We propose to amend the TRS Fund administrative calendar to better align with these scheduling elements. First, we propose to modify TRS Fund years to run from October 1 through September 30. Second, we propose to require the TRS Fund administrator to submit its annual report by July 1. Third, we propose to modify our rules and designate April 1 as the firm date by which TRS providers must submit cost and demand data to the TRS Fund administrator. By setting a firm date for data submission and shifting the administrator's report date from May 1 to July 1, we anticipate that all TRS providers will be able to submit complete and final data for the prior calendar year on time and the administrator will have sufficient time to analyze the data and prepare its report. These revisions also ensure that the administrator has more time to review the TRS Fund contributors' information due on April 1. We seek comment on these proposed modifications to the TRS Fund calendar.

64. Do the proposed changes ensure that TRS providers will submit complete information to the administrator well before it must submit its report and recommendations to the Commission? Does setting the filing date for the administrator's report and recommendations on July 1 provide sufficient time for it to complete its analysis of provider data? Are there other schedule changes that would more closely align the TRS Fund calendar with provider data preparation and administrator data analysis?

65. If we adopt the proposed changes to the TRS Fund calendar prior to the expiration of the current VRS and IP CTS compensation plans, we propose to align the current compensation schedule for VRS which runs through June 30, 2028,[164] and IP CTS which runs through June 30, 2029,[165] with the modified dates. Thus, we propose to extend the compensation formulas to September 30, 2028, for VRS and September 30, 2029, for IP CTS, and apply the scheduled inflation adjustment in each formula as of July 1 to be effective for the three months between July 1 and September 30. These proposed schedule changes, if adopted, would also apply to the use of IP CTS as a proxy for the compensation plans if

[159] *See supra* para. 9. Currently, there is no date certain in our rules for submission of TRS providers' cost and demand data to the administrator. *See* 47 CFR § 64.604(c)(5)(iii)(D).

[160] *See* 47 CFR § 64.604(c)(5)(iii)(H) (administrator's report due on May 1 "to be effective the following July 1").

[161] *See, e.g.,* 2026 TRS Fund Annual Report at 15 ("Three providers furnished their RSDR responses between February 20 and April 3 due to technical issues and one provider submitted its RSDR response on April 28th. All other Internet-based TRS providers submitted their initial RSDR responses on or before February 20th. Eight providers filed amended RSDR responses between March 13th and March 25th."); 2025 TRS Fund Annual Report at 13 (two providers filed late responses; one filed no response; and six filed amended responses).

[162] For example, this year, comments on the administrator's report were due June 8, 2026, *see 2026 TRS Fund Annual Report Public Notice,* and the administrator filed a supplement to its report on June 15, 2026, *see* 2026 TRS Fund Annual Report Supplement.

[163] *See* 2026 TRS Fund Annual Report at 16 ("Amended RSDR filings and the late filing of RSDR submissions impact the Administrator's calculations.").

[164] *See* 47 CFR § 64.643(a).

[165] *See id.* § 64.641(a).

adopted for CTS and IP Relay in this proceeding. Thus, the extended date for IP CTS would also apply to use of the IP CTS rates as a proxy for CTS and a base rate if used for fully automated IP Relay. These administrative changes would ensure that providers who offer multiple forms of TRS would be submitting cost data on the same schedule. It would also ensure that the TRS Fund year and changes in compensation are aligned to ease and maintain a clear formula for calculating the contribution factors for contributors to the TRS Fund. We seek comment on these proposed extensions of the VRS and IP CTS compensation plans. Are there any harms to the TRS Fund, providers, or users from the proposed extensions? If so, what adjustments to the schedule for compensation formulas would ameliorate any such harms?

66. Finally, we seek comment on whether there are any other events on the TRS Fund administrative schedule that should be changed in keeping with the modifications proposed above.

IV. PROCEDURAL MATTERS

67. *Filing Requirements.* Pursuant to sections 1.415 and 1.419 of the Commission's rules interested parties may file comments on or before the dates indicated on the first page of this document.[166] Comments may be filed using the Commission's Electronic Comment Filing System (ECFS).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: https://www.fcc.gov/ecfs.
- Paper Filers: Parties who choose to file by paper must file an original and one copy of each filing.
    - Filings can be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service. All filings must be addressed to the Secretary, Federal Communications Commission.
    - Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8:00 a.m. and 4:00 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.
    - Commercial courier delivers (any deliveries not by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.
    - Filings sent by U.S. Postal Service First-Class Mail, Priority Mail, and Priority Mail Express must be sent to 45 L Street NE, Washington, DC 20554.

68. *People with Disabilities*: To request materials in accessible formats for people with disabilities (Braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at 202-418-0530 (voice).

69. *Ex Parte Rules.* The proceeding this *Notice* initiates shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules.[167] Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the

[166] 47 CFR §§ 1.415, 1.419

[167] *Id.* § 1.1200 *et seq.*

proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with section 1.1206(b). In proceedings governed by section 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

70. *Regulatory Flexibility Act.* The Regulatory Flexibility Act of 1980, as amended (RFA),[168] requires that an agency prepare a regulatory flexibility analysis for notice-and-comment rulemaking proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities."[169] Accordingly, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA), concerning potential rule and policy changes contained in this *Notice*. The IRFA is set forth in Appendix B. The Commission invites the general public, in particular small businesses, to comment on the IRFA. Comments must be filed by the deadlines for comments on the *Notice* indicated on the first page of this document and must also have a separate and distinct heading designating them as responses to the IRFA.

71. *Paperwork Reduction Act Analysis*. This document may contain proposed new or modified information collections. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on any information collections contained in this document, as required by the Paperwork Reduction Act of 1995.[170] In addition, pursuant to the Small Business Paperwork Relief Act of 2002, we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.[171]

72. *Providing Accountability Through Transparency Act.* Consistent with the Providing Accountability Through Transparency Act, Public Law 118-9, a summary of this Notice of Proposed Rulemaking will be available on https://www.fcc.gov/proposed-rulemakings.

73. *Further Information.* For further information about this proceeding, contact William Wallace, Consumer and Governmental Affairs Bureau, Disability Rights Office, 202-418-2716, or William.Wallace@fcc.gov.

V. ORDERING CLAUSES

74. Accordingly, IT IS ORDERED that, pursuant to sections 1, 2, 4(i), (4)(j), and 225 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i), 154(j), 225, this Notice of Proposed Rulemaking IS ADOPTED.[172]

75. IT IS FURTHER ORDERED that, pursuant to applicable procedures set forth in sections 1.415 and 1.419 of the Commission's Rules, 47 CFR §§ 1.415, 1.419, interested parties may file

[168] 5 U.S.C. §§ 601 *et seq.,* as amended by the Small Business Regulatory Enforcement and Fairness Act (SBREFA), Pub. L. No. 104-221, 110 Stat. 847 (1996).

[169] *Id.* § 605(b).

[170] 44 U.S.C. §§ 3501-3521.

[171] *Id.* § 3506(c)(4).

[172] Pursuant to Executive Order 14215, 90 Fed. Reg. 10447 (Feb. 20, 2025), this regulatory action has been determined to be not significant under Executive Order 12866, 58 Fed. Reg. 68708 (Dec. 28, 1993).

comments on the Notice of Proposed Rulemaking on or before 30 days after publication in the Federal Register, and reply comments on or before 60 days after publication in the Federal Register.

76. IT IS FURTHER ORDERED that the Commission's Office of the Secretary SHALL SEND a copy of the Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy,

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX A

Proposed Rules

PART 64 – Miscellaneous Rules Relating to Common Carriers

The authority for part 64 continues to read as follows:

AUTHORITY: 47 U.S.C. §§ 151, 152, 154, 201, 202, 217, 218, 220, 222, 225, 226, 227, 227b, 228, 251(a), 251(e), 254(k), 255, 262, 276, 403(b)(2)(B), (c), 616, 620, 716, 1401-1473, unless otherwise noted; Pub. L. 115-141, Div. P, sec. 503, 132 Stat. 348, 1091; Pub. L. 117-338, 136 Stat. 6156.

1. Amend § 64.604(c)(5)(iii) to read as follows:

§ 64.604

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(c) ***

(5) ***

(iii) ***

(A) ***

(B) ***

(C) ***

(D) **Data collection and audits.**

(*1*) ***Cost and demand data.*** TRS providers seeking compensation from the TRS Fund shall provide the administrator with true and adequate data, and other historical, projected and state rate related information reasonably requested to determine the TRS Fund revenue requirements and payments. TRS providers shall provide the administrator with the following: total TRS minutes of use, total interstate TRS minutes of use, total operating expenses and total TRS investment in general in accordance with part 32 of this chapter, and other historical or projected information reasonably requested by the administrator for purposes of computing payments and revenue requirements. TRS providers and state TRS programs shall submit by April 1 of each year all cost and demand data requested by the administrator for preparation of its report to the Commission pursuant to paragraph (c)(5)(iii)(H) on recommended compensation levels for the next Fund Year. In annual cost data filings and supplementary information provided to the administrator regarding such cost data, IP CTS providers that contract for the supply of services used in the provision of TRS shall include information about payments under such contracts, classified according to the substantive cost categories specified by the administrator. To the extent that a third party's provision of services covers more than one cost category, the resubmitted cost reports must provide an explanation of how the provider determined or calculated the portion of contractual payments attributable to each cost category. To the extent that the administrator reasonably deems necessary, providers shall submit additional detail on such contractor expenses, including but not limited to complete copies of such contracts and related correspondence or other records and information relevant to determining the nature of the services provided and the allocation of the costs of such services to cost categories

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(E) ***

(F) ***

(G) ***

(H) Administrator reporting, monitoring, and filing requirements. The administrator shall perform all filing and reporting functions required in paragraphs (c)(5)(iii)(A) through (c)(5)(iii)(J) this section. TRS payment formulas and revenue requirements shall be filed with the Commission on July 1 of each year, to be effective the following October 1. The administrator shall report annually to the Commission an itemization of monthly administrative costs which shall consist of all expenses, receipts, and payments associated with the administration of the TRS Fund. The administrator is required to keep the TRS Fund separate from all other funds administered by the administrator, shall file a cost allocation manual (CAM) and shall provide the Commission full access to all data collected pursuant to the administration of the TRS Fund. The administrator shall account for the financial transactions of the TRS Fund in accordance with generally accepted accounting principles for federal agencies and maintain the accounts of the TRS Fund in accordance with the United States Government Standard General Ledger. When the administrator, or any independent auditor hired by the administrator, conducts audits of providers of services under the TRS program or contributors to the TRS Fund, such audits shall be conducted in accordance with generally accepted government auditing standards. In administering the TRS Fund, the administrator shall also comply with all relevant and applicable federal financial management and reporting statutes. The administrator shall establish a non-paid voluntary advisory committee of persons from the hearing and speech disability community, TRS users (voice and text telephone), interstate service providers, state representatives, and TRS providers, which will meet at reasonable intervals (at least semi-annually) in order to monitor TRS cost recovery matters. Each group shall select its own representative to the committee. The administrator's annual report shall include a discussion of the advisory committee deliberations.

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APPENDIX B

Initial Regulatory Flexibility Analysis

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),[1] the Federal Communications Commission (Commission) has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the policies and rules proposed in the Notice of Proposed Rulemaking (*Notice*) assessing the possible significant economic impact on a substantial number of small entities. The Commission requests written public comments on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments specified on the first page of the *Notice*. The Commission will send a copy of the *Notice*, including this IRFA, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.[2] In addition, the *Notice* and IRFA (or summaries thereof) will be published in the Federal Register.[3]

A. Need for, and Objective of, the Proposed Rules

2. In the *Notice*, the Commission proposes to transition away from the Multistate Average Rate Structure (MARS) methodology for determining per-minute rates for interstate analog Telecommunications Relay Services (TRS), including TTY Relay, Speech-to-Speech Relay Service (STS), and Captioned Telephone Service (CTS). The Commission finds that, as a result of decline in usage of intrastate analog TRS and increasing prevalence of fixed-price contracts between states and analog TRS providers, the average of rates for intrastate TRS in state contracts no longer is an appropriate proxy for per-minute interstate rates for these services. The Commission seeks comment on alternative methodologies for compensating analog TRS providers, including lump sum payments with true-ups at the end of the Fund Year, reverse auctions, and a price cap methodology.

3. As one alternative for determining rates for interstate analog TRS calls in the future, the Commission proposes to adopt a cost-based compensation methodology, similar to the methodology it uses to determine compensation levels for Internet-based TRS. In the interim while collecting cost data, the Commission proposes to use the rate for Internet Protocol Relay Service (IP Relay) as the basis for interstate TTY and STS and the rate for Internet Protocol Captioned Telephone Service (IP CTS) as the basis for interstate CTS. The Commission seeks comment on whether funds in state TRS programs for purchase of equipment and user training will continue to be available during the decline in use of analog TRS.

4. The Commission also proposes to adopt a new compensation plan for the Internet Protocol Relay Service (IP Relay) to replace the prior plan which expired on June 30, 2026. The Commission proposes to maintain the parameters of the prior plan, including recovery of exogenous costs and an adjustment each year for inflation. Because two new entrants offer IP Relay on a fully automated basis with text-to-speech and Automatic Speech Recognition (ASR) technologies, the Commission proposes to adopt bifurcated rates for delivery of the service depending upon whether Communications Assistants are involved or provided on a fully automated basis.

5. Finally, the Commission proposes to move the start day for the TRS Fund Year from July 1 to September 1, require the TRS Fund administrator to submit its annual report on recommended rates and contribution factors by July 1 rather than May 1, and require TRS providers to submit cost and demand data to the administrator by April 1. The Commission tentatively concludes that these schedule changes will ensure that the administrator has the most up-to-date information on provider costs and

[1] 5 U.S.C. §§ 601 *et seq.*, as amended by the Small Business Regulatory Enforcement and Fairness Act (SBREFA), Pub. L. No. 104-121, 110 Stat. 847 (1996).

[2] *Id.* § 603(a).

[3] *Id.*

industry revenues to propose compensation levels for TRS and contribution factors for telecommunications and Voice over Internet Protocol (VoIP) providers.

B. Legal Basis

6. The proposed action is authorized pursuant to sections 1, 2, 4(i), 4(j), and 225 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i), 154(j), and 225.

C. Description and Estimate of the Number of Small Entities to Which the Proposed Rules Will Apply

7. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.[4] The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."[5] In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act (SBA).[6] A "small business concern" is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the SBA.[7] The SBA establishes small business size standards that agencies are required to use when promulgating regulations relating to small businesses; agencies may establish alternative size standards for use in such programs, but must consult and obtain approval from SBA before doing so.[8]

8. The Commission's actions, over time, may affect small entities that are not easily categorized at present. We therefore describe three broad groups of small entities that could be directly affected by our actions.[9] In general, a small business is an independent business having fewer than 500 employees.[10] These types of small businesses represent 99.9% of all businesses in the United States, which translates to 34.75 million businesses.[11] Next, "small organizations" are not-for-profit enterprises that are independently owned and operated and not dominant in their field.[12] While we do not have data regarding the number of non-profits that meet that criteria, over 99 percent of nonprofits have fewer than 500 employees.[13] Finally, "small governmental jurisdictions" are defined as cities, counties, towns, townships, villages, school districts, or special districts with populations of less than fifty thousand.[14]

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[4] 5 U.S.C. § 603(b)(3).

[5] *Id.* § 601(6).

[6] *Id.* § 601(3) (incorporating by reference the definition of "small-business concern" in the Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register."

[7] 15 U.S.C. § 632.

[8] 13 CFR § 121.903.

[9] 5 U.S.C. § 601(3)-(6).

[10] *See* SBA, Office of Advocacy, Frequently Asked Questions About Small Business (July 23, 2024), https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business_2024-508.pdf.

[11] *Id.*

[12] 5 U.S.C. § 601(4).

[13] *See* SBA, Office of Advocacy, Small Business Facts, Spotlight on Nonprofits (July 2019), https://advocacy.sba.gov/2019/07/25/small-business-facts-spotligh-on-nonprofits/.

[14] 5 U.S.C. § 601(5).

Based on the 2022 U.S. Census of Governments data, we estimate that at least 48,724 out of 90,835 local government jurisdictions have a population of less than 50,000.[15]

9. The rules proposed in the *Notice* will apply to small entities in the industries identified in the chart below by the six-digit North American Industry Classification System (NAICS)[16] codes and corresponding SBA size standard.[17] Based on currently available U.S. Census data regarding the estimated number of small firms in each identified industry, we conclude that the proposed rules will impact a substantial number of small entities. Where available, we also provide additional information regarding the number of potentially affected entities in the industries identified below.

Regulated Industry (NAICS) Classification	**NAICS Code**	**SBA Size Standard**	**Total Firms[18]**	**Small Firms[19]**	**%Small Firms In Industry**
All Other Telecommunications[20]	517810	$40 million	1,673	1,007	60.19%

D. Description of Economic Impact and Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

10. The RFA directs agencies to describe the economic impact of proposed rules on small entities, as well as projected reporting, recordkeeping, and other compliance requirements, including an estimate of the classes of small entities which will be subject to the requirements and the type of professional skills necessary for preparation of the report or record.[21]

11. The changes proposed in the *Notice*, if adopted, could impose new or modified reporting, recordkeeping, or other compliance obligations on certain small entities that provide TTY-based relay service, STS, CTS, or IP Relay. The Commission seeks comment on adopting a cost-based methodology to determine compensation levels for TTY, STS, and CTS, which would require these entities annually to submit cost and demand data to the TRS Fund administrator as IP Relay providers submit currently. The Commission seeks comments on any modifications to these data submission requirements to ensure collection of appropriate data for each service and avoid unnecessarily burdening small entities. Similarly, all TRS providers must submit call data records to the administrator to obtain TRS Funding for the calls they handle. The information collected in comments will help the Commission identify and evaluate relevant compliance matters, costs, and other burdens for small entities that may result from the proposals and inquiries made in the *Notice*.

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[15] See U.S. Census Bureau, 2022 Census of Governments –Organization, https://www.census.gov/tables/2022/econ/gus/2022-governments.html, tables 1-11.

[16] The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. *See* www.census.gov/NAICS for further details regarding the NAICS codes identified in this chart.

[17] The size standards in this chart are set forth in 13 CFR 121.201, by six digit North American Industrial Classification System (NAICS) code.

[18] *See* U.S. Census Bureau, 2*017 Economic Census of the United States, Employment Size of Firms for the U.S.: 2017*, Table ID: EC1700SIZEEMPFIRM, and *2017 Economic Census of the United States, Selected Sectors: Sales, Value of Shipments, or Revenue Size of Firms for the U.S.: 2017*, Table ID: EC1700SIZEREVFIRM.

[19] *Id.*

[20] Affected entities in this industry include Telecommunications Relay Services (TRS) providers.

[21] 5 U.S.C. § 603(b)(4).

E. Discussion of Significant Alternatives Considered That Minimize the Significant Economic Impact on Small Entities

12. The RFA directs agencies to provide a description of any significant alternatives to the proposed rules that would accomplish the stated objectives of applicable statutes, and minimize any significant economic impact on small entities.[22] The discussion is required to include alternatives such as: "(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities."[23]

13. The proposed changes to the Commission's TRS compensation-setting methodologies are designed to fairly compensate TRS providers for their reasonable costs of providing these services and to adhere to the statutory requirement to provide TRS "to the extent possible and in the most efficient manner."[24] As the Commission explains in the *Notice*, the MARS methodology no longer results in efficient use of TRS Fund resources for interstate TTY, STS, and CTS. The use of reasonable cost methodology has proved successful at achieving the Commission's efficiency goals for Internet-based TRS for the past 20 years. The Commission invites small businesses and small business entities to propose alternative compensation methodologies and to recommend changes to a cost-based methodology for TTY Relay, STS, and CTS to lessen any significant economic impact on small businesses. Small entities providing IP Relay are already familiar with the Commission's processes for determining rates and seeking compensation from the TRS Fund. The Commission anticipates that the proposed modifications to the administrative schedule for submitting cost and demand data to the TRS Fund administrator will make it easier for small business entities to comply with those requirements.

14. The *Notice* seeks comment from all interested parties, particularly those of small business entities. Small business entities are encouraged to bring to the Commission's attention any specific concerns they may have with the proposals outlined in the *Notice* and outline any suggested alternatives. The Commission expects to consider the economic impact on small entities, as identified in comments filed in response to the *Notice*, in reaching its final conclusions and taking action in this proceeding.

F. Federal Rules That May Duplicate, Overlap, or Conflict with the Proposed Rules

15. None.

[22] *Id.* § 603(c).

[23] *Id.* § 603(c)(1)-(4).

[24] 47 U.S.C. § 225(b)(1).