

FACT SHEET

RURAL HIGH-COST REFORM ORDER SUMMARY

The Federal Communications Commission adopts the Rural Task Force's proposed framework for rural high-cost reform, with certain modifications, including:

- Adopts the proposal to re-base the high-cost loop support fund for rural telephone companies and retain an indexed cap on the fund. Re-basing the indexed fund will ensure that rural carriers are able to continue providing supported services at affordable and reasonably comparable rates during the transition to a more permanent high-cost support mechanism for rural carriers.
- Adopts the proposed "rural growth factor" that allows the high-cost loop support fund to grow based on annual changes in the Gross Domestic Product-Chained Price Index (GDP-CPI) and the total number of working loops of rural carriers.
- Adopts a modified version of the Rural Task Force's proposal as it relates to corporate operations expenses. Revises the corporate operations expense limitation calculation so that the dollar values in the formula are re-based and indexed by the GDP-CPI. Also raises the minimum cap in the revised corporate operations expense limitation formula to \$600,000.
- Adopts a modified version of the Rural Task Force's proposed "safety net additive" so that a carrier will receive support above the cap for its incremental expense adjustment associated with new investment.
- Consistent with the Rural Task Force's recommendation, adopts a "safety valve" that provides support for additional investment made in acquired exchanges.
- Declines at this time to adopt the Rural Task Force's proposal to freeze high-cost loop support upon competitive entry in rural carrier study areas because it may have unintended consequences, such as discouraging investment in rural America and increasing high-cost support levels. Invites comment on possible alternative approaches in an attached Further Notice.
- Adopts the Rural Task Force's proposal for the disaggregation and targeting of high-cost universal service support to allow carriers to elect a disaggregation path, but requires additional regulatory oversight over subsequent changes in disaggregation plans.
- Finds that the Rural Task Force's proposed framework, with certain modifications, shall remain in place for five years, and implementation shall begin as of July 1, 2001.
- Finds the Rural Task Force's recommended principles for access reform to be reasonable and generally consistent with prior Commission actions to reform the access rate structure of price cap carriers. Recognizes the importance of completing access reform for rate-of-return carriers and states intent to act expeditiously to resolve the issues raised in the MAG proceeding.