



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

May 29, 2014

The Honorable Jerry Moran
United States Senate
345 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Moran:

Thank you for your letter on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

In the 2011 *USF/ICC Transformation Order*, the Commission unanimously adopted reforms to make universal service a fairer system for all consumers and businesses. The *Order* included a phase-out of excessive subsidies for basic phone service, which allowed some phone companies to charge their customers as little as \$5 a month, while average urban, suburban, and even some other rural consumers, were paying over three times that amount. The Commission determined it was inappropriate to use limited federal high-cost support to subsidize local rates beyond what is necessary to ensure reasonable comparability between urban and suburban rates and rural rates, as required by Congress. The reforms are designed to gradually eliminate these excessive subsidies to level the playing field for all consumers and contain the cost of the program, which is funded by universal service fees paid by consumers.

Importantly, the Commission's rules do not require carriers to raise their local rates, and many carriers have made the decision not to raise rates in response to previous increases in the rate floor. Nevertheless, the Commission appreciates concerns over potentially sizable rate increases and possible difficulties some carriers may have experienced in making any rate adjustments at state level in a short period of time. To address these concerns, the Commission adopted an *Order* on April 23, 2014 that delays any potential universal service support reductions until January 2015. In addition, the universal service support reductions that do go into effect in January will only be for those lines with rates below \$16, and any future reductions will be limited to an increase of no more than \$2 per year.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler".

Tom Wheeler