



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable Tom Cotton
United States Senate
124 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Cotton:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

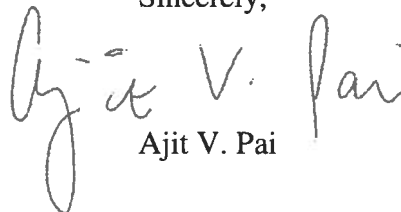
In connection with universal service reforms in 2011 (before I joined the Commission), the FCC required companies that received high-cost support from the universal service program to impose minimum monthly rates for telephone service. Carriers that do not charge their customers at least the minimum amount are penalized with a loss of universal service funding. The rationale then was that the law calls for rates to be “reasonably comparable” and that customers needed to pay a certain minimum rate to make sure that subsidies weren’t being wasted.

The problem is the rate floor now forces many rural customers to pay higher rates than some of their urban counterparts, including those in Washington, D.C. A wide array of stakeholders, ranging from the AARP to the National Tribal Telecommunications Association to small, rural telephone companies, have raised significant and legitimate concerns that the rate floor has made basic voice service less affordable in some rural areas, limited consumer choice, and slowed broadband deployment. Mandating higher rates under these circumstances seems inconsistent with the direction of section 254(b) of the Communications Act to advance universal service in rural, insular, and high-cost areas of the country while ensuring that rates are just, reasonable, and affordable.

As you know, the rate floor was scheduled to rise to \$20 on July 1, 2017, and to \$22 on July 1, 2018. To prevent unjustified rate increases in rural America, the Commission took action in May 2017 to freeze the rate floor at the 2016 minimum rate of \$18 per month until July 2019. The Commission also adopted a Notice of Proposed Rulemaking seeking comment on whether the Commission should eliminate the rate floor entirely. Commission staff are now carefully reviewing the record, and I plan for the Commission to take action to protect rural Americans from unjustified, government-mandated rate increases in the coming months.

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

Sincerely,


Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable John Boozman
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Boozman:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

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OFFICE OF
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December 28, 2018

The Honorable Rick Crawford
U.S. House of Representatives
2422 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Crawford:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

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OFFICE OF
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December 28, 2018

The Honorable French Hill
U.S. House of Representatives
1229 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Hill:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

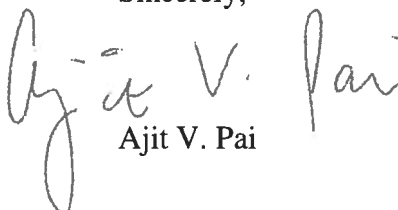
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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
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December 28, 2018

The Honorable Steve Womack
U.S. House of Representatives
2412 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Womack:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

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WASHINGTON

OFFICE OF
THE CHAIRMAN

December 28, 2018

The Honorable Bruce Westerman
U.S. House of Representatives
130 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Westerman:

Thank you for your letter on the “rate floor” rule in the Universal Service Fund’s high-cost program. I share your concerns regarding the effect of the rate floor on rural America, including in Arkansas. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

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