



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

February 7, 2019

The Honorable Jim McGovern
U.S. House of Representatives
438 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman McGovern:

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. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

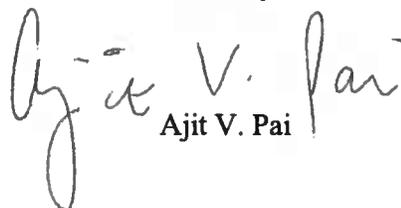
In connection with universal service reforms in 2011 (before I joined the Commission), the FCC required companies that received high-cost support from the Universal Service Fund to impose minimum monthly rates for telephone service. Carriers that do not charge their customers at least the minimum amount 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 these federal subsidies weren’t being wasted.

The problem is that 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, which directs the FCC 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 Commission froze the rate floor in May 2017 at the 2016 minimum rate of \$18 per month until July 2019. This action prevented an unjustified rate increase in rural America—the rate floor was scheduled to rise to \$20 on July 1, 2017, and to \$22 on July 1, 2018. The Commission also adopted a Notice of Proposed Rulemaking seeking comment on whether the Commission should eliminate the rate floor entirely. Commission staff are carefully reviewing that record. Despite the recent lapse in appropriations, I plan 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 further assistance.

Sincerely,


Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF
THE CHAIRMAN

February 7, 2019

The Honorable Mark Pocan
U.S. House of Representatives
1421 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Pocan:

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. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

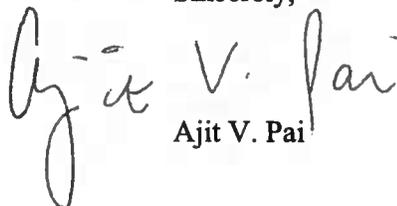
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OFFICE OF
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February 7, 2019

The Honorable Peter Welch
U.S. House of Representatives
2303 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Welch:

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. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

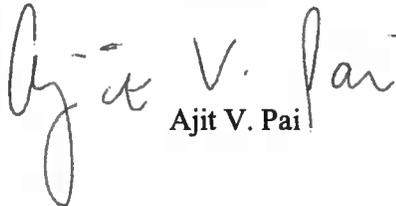
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OFFICE OF
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February 7, 2019

The Honorable Ro Khanna
U.S. House of Representatives
513 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Khanna:

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. After several years of experience, it appears to impose high costs on rural consumers without any corresponding federal benefit.

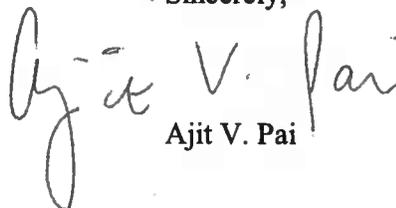
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OFFICE OF
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February 7, 2019

The Honorable Vicente Gonzalez
U.S. House of Representatives
113 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Gonzalez:

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