

Media Contact:

Anne Veigle, (202) 418-0506
anne.veigle@fcc.gov

For Immediate Release

**FCC ADOPTS ORDER RELIEVING CERTAIN POST-TRANSACTION
AFFILIATES FROM MIXED-SUPPORT MERGER CONDITION**

*Ensures Integrity of Universal Service Fund and Eliminates Unnecessary
Regulation*

WASHINGTON, May 20, 2021—The Federal Communications Commission today adopted an Order on Reconsideration relieving certain “mixed support” merging companies from a merger condition cap intended to prevent improper cost shifting post-transaction between affiliates that receive both model-based and cost-based universal service support. The Commission determined that the mixed support merger cap need not apply to a particular affiliate because that affiliate does not share any common costs and has entirely separate accounting practices from other affiliates and therefore poses no risk to the financial integrity of the Universal Service Fund.

The Commission first applied the mixed support merger condition in 2018 to deter potential cost shifting when, for example, an acquiring company that receives fixed model-based high-cost support acquires a rate-of-return company that receives cost-based support. In doing so, the Commission recognized that: its cost allocation rules applied to the combined companies could result in cost-shifting; and the merged company could have an incentive to shift shared costs from the model-based to the cost-based support company to receive additional universal service funding through accounting procedures rather than from increased investment or expenses. To protect against this outcome, in mixed support mergers, the Commission caps the combined operating expenses of the post-transaction company’s cost-based affiliates for seven years.

In January 2021, the Wireline Competition Bureau approved a mixed support-conditioned section 214 transfer of control of Lavaca Telephone, a cost-based support company, to Dobson Technologies, a model-based support company. Dobson also holds a non-controlling minority ownership interest in Fort Mojave Telecommunications, a cost-based support company. Dobson petitioned the FCC to exclude Fort Mojave’s operating expenses from the mixed support cap because it shared no costs with Dobson and maintained separate books and accounts. In today’s Order, the Commission granted Dobson’s petition and exempted Fort Mojave from the merger condition cap.

Action by the Commission May 20, 2021 by Order on Reconsideration (FCC 21-63). Acting Chairwoman Rosenworcel, Commissioners Carr, Starks, and Simington approving. Acting Chairwoman Rosenworcel and Commissioner Starks issuing separate statements.

WC Docket No. 20-389

###

Media Relations: (202) 418-0500 / ASL: (844) 432-2275 / Twitter: @FCC / www.fcc.gov

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).