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# United States Senate

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April 22, 2014

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FCC Mail Room

The Honorable Tom Wheeler  
Chairman  
Federal Communications Commission  
445 12th Street Southwest  
Washington, D.C. 20554

Dear Chairman Wheeler:

I write to express my deep concern about the impact of Federal Communications Commission's Wireline Competition Bureau's announcement that it will modify the "rate floor," which will increase the price of phone service for over one million phone customers in rural America. The decision not only contradicts Congressionally-mandated policy, but it also provides no benefit to the federal government.

The Communications Act requires the FCC to make telephone service "affordable." While the initial plan to raise the rate floor from \$14 to \$20.46 may be modified for a slower phase in, I remain concerned that about the policy objectives of raising the rate floor. This decision to raise rates only makes phone service less affordable in rural areas, where incomes are lower and families have fewer telecommunications options. Furthermore, the rate floor is designed so that the Universal Service Fund will still distribute the same support to rural telephone companies, providing no savings to taxpayers.

In addition, a major priority of the *2011 Universal Service Transformation Order* was to transition the fund to support broadband service instead of phone service. As I expressed to you in the recent Financial Services and General Government Subcommittee on Appropriations hearing, many Kansans receive both broadband and phone service from the same company. Increasing phone creates an even greater challenge for rural telephone companies who provide broadband service with no federal support for that service.

The goal of universal service requires thoughtful policy attention. I urge the Commission to freeze the rate floor indefinitely and review this policy.

Very truly yours,

Jerry Moran

Jerry Moran

Cc: Commissioner Mignon Clyburn  
Cc: Commissioner Jessica Rosenworcel  
Cc: Commissioner Ajit Pai  
Cc: Commissioner Michael O'Reilly

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OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

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