Jurisdictional Separations Procedures (Part 36)
Standard Procedures for Separating Telecommunications
Property Costs, Revenues, Expenses,
Taxes and Reserves for Telecommunications Companies

In the early 1930s, the U.S. Supreme Court found in *Smith v. Illinois Bell* that the separation of telephone company property, expense, and revenue accounts was necessary to delineate federal and state regulatory authority over carrier operations.

Part 36 of the FCC rules outlines procedures ILECs must use to separate their investment, expenses and revenues between the state and interstate jurisdictions. Part 36 includes procedures for allocating both non-traffic sensitive (NTS) costs, such as the cable and wire facilities used to connect subscribers to central offices ("loop plant"), and traffic sensitive (TS) costs, such as the costs of central office switching equipment.

In 1984, the Commission added rules to Part 36 establishing the Universal Service Fund (USF) as a support mechanism to promote nationwide availability of "plain old telephone service" (POTS) at reasonable rates. The USF support mechanisms at that time essentially permitted LECs serving higher cost areas to reduce local rates by recovering certain expenses from the interstate jurisdiction. These "expense adjustment" provisions incorporated in Part 36 formed the basis of today's high-cost universal service fund loop support program.[1]

The 1996 Telecommunications Act mandated significant changes to universal service, interconnection, and access charges to promote competition in the industry. The Commission added Part 54 to address universal service support of high-cost areas, schools and libraries, and rural health care providers, as well as administration of the new universal service support mechanisms. At the same time, the Commission amended Part 36 rules governing the high cost fund to conform them to the new universal service rules.

In May 2001, the FCC adopted the recommendation of the Federal-State Joint Board on Separations and froze, on an interim basis, the Part 36 jurisdictional separations rules. This was done to stabilize and simplify the separations process while the FCC continued to work on comprehensive separations reform. The freeze was set to expire in June 30, 2006.

In May 2006, the Commission extended the separations freeze on an interim basis for another three years, or until comprehensive reform is completed. In May 2009 and each year since then, the FCC has extended the jurisdictional separations freeze for another year. Five companies have filed petitions seeking a waiver to unfreeze their Part 36 category relationships; Endeavor,

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[1] In 1984, the Commission adopted rules permitting ILECs with loop costs exceeding 115% of the national average to recover a higher proportion of their costs from the interstate jurisdiction, thus reducing intrastate (local) costs.

Pioneer, Terral, Eastex, and Gila River, and the FCC has granted two of them, Eastex and Gila River.

On September 8, 2017, the Commission issued an Order eliminating rules from which the Commission granted unconditional forbearance for all carriers in the 2013 USTelecom Forbearance Order, and eliminating references to telegraph service from certain sections of the rules. This Order affected rules in Parts 36, 42, 54, 63, and 64.