Regulatory

FCC Telecom Rules

Selected Parts of Importance to NECA Members

Summary Descriptions

As a service to its members, NECA's website includes a *Guide to Telecom Rules* (GTR). The GTR was created by NECA as a companion to certain portions of the Code of Federal Regulations (CFR), which is the US Government Printing Office's compendium of rules promulgated by all federal agencies, including the FCC.

NECA's GTR provides additional information on FCC rules that are of particular interest to rate-of-return telecom carriers. The on-line version includes summaries of key FCC and Court decisions, with links to the original documents included wherever available.

The on-line GTR is published in a fully searchable and easily printable PDF format.

This handbook contains brief summaries of the various rule Parts covered by the GTR. Each summary provides an overall explanation of the rule Part and how the rules apply to our member companies.

For further information, visit NECA.org and look for "Guide to Telecom Rules" under the Government tab. Links embedded in the website page will redirect you to the USGPO's e-CFR, which contains updated texts of each rule Part, or to NECA's summaries of significant actions and lists of pending rule revisions.

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Preserving an Open Internet (Part 8)

The Commission has long classified Internet access services as "information services" under Title I of the 1996 Telecommunications Act. Title I addresses the FCC's jurisdiction over "ancillary" services, such as information services. The obligations of Title I regulation are not as onerous as the obligations under Title II, which covers basic common carrier services.

In 2005, the Commission adopted an Internet Policy Statement and a Wireline Broadband Order, which declared wireline broadband Internet access service (BIAS) to be an information service under Title I. In the Internet Policy Statement, the Commission said it was using its ancillary jurisdiction under section 706 of the Act to ensure that providers of telecommunications for Internet access or IP-enabled services are operated in a neutral manner. It adopted a set of four consumer protection principles.

The D.C. Circuit Court remanded the Order in April 2010, ruling the Commission failed to tie its assertion of ancillary authority over "information services" to any statutorily mandated responsibility. In response, the Commission adopted the 2010 Open Internet Order. This Order continued to rely on the Commission's ancillary authority under Title I, and contained three basic rules: transparency, no blocking, and no unreasonable discrimination, which were applied somewhat differently to fixed vs. mobile providers.

On January 14, 2014, the D.C. Circuit vacated the anti-discrimination and anti-blocking portions of the 2010 Order. In the court's view, the anti-discrimination and anti-blocking rules appeared to impose common carrier-type obligations. Because the FCC chose to classify broadband providers as information service providers, the court decided it could not regulate them as if they were common carriers.

On February 26, 2015, the FCC adopted an Order that reclassified BIAS as a telecommunications service under Title II, but forbore from enforcing 27 provisions of Title II and over 700 associated regulations, including rate regulation and last-mile unbundling. It adopted three "bright-line" rules - no blocking, no throttling, and no paid prioritization - and applied the rules to fixed and mobile broadband alike. The Order contains exceptions for reasonable network management and for specialized services, and forbore from the requirement for BIAS providers to contribute to the federal USF "at this time." It allows providers who wish to offer Internet transmission services as telecommunications services subject to the full range of Title II requirements, including tariffing, to continue to do so, but the service then remains subject to mandatory USF contribution obligations.

Various parties sought review of the 2015 Open Internet Order at the D.C. Circuit. On June 14, 2016, the Court ruled in the FCC's favor.

Most recently, on January 27, 2017, Chairman Pai announced an Order is circulating that would waive for five years the enhanced transparency reporting requirements adopted in the Open Internet Order for small businesses with no more than 250,000 subscribers.

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The FCC's Uniform System of Accounts for Telecommunications Carriers (Part 32)

Recording investments, expenses, and revenues in accordance with the Part 32 Uniform System of Accounts (USOA) has traditionally been the first of a multi-step process used by ILECs to identify the costs of providing telecommunications services and to set rates.

- Once these items are recorded, ILECs would then divide costs and revenue between regulated and non-regulated telecommunications services, in accordance with Part 64 of the Commission's rules.
- ILECs then allocate their regulated expenses and investments between the interstate and intrastate jurisdictions, as required under the Part 36 jurisdictional separations procedures.
- ILECs have traditionally utilized Part 69 rules to allocate their interstate costs among access rate elements, and then set access rates for recovering those costs.

In response to the 1996 Telecommunications Act, the FCC made substantial changes to Part 32, including new affiliate transactions rules, which prescribed the way ILECs had to account for transactions with affiliates involving both regulated telecommunications services and nonregulated services.

The FCC occasionally issues Responsible Accounting Office (RAO) letters to provide guidance on the accounting rules to achieve a uniform interpretation and application of the Part 32 rules.

In 2006, 2007 and 2008, a number of companies filed petitions for forbearance from the cost assignment and Access Reports (ARMIS) reporting rules. AT&T and Bellsouth were the first, and in April 2008, the Commission granted their petitions on the condition they provide accounting data at the FCC's request. Other requests for the similar forbearance relief were filed by Verizon, Qwest, and Frontier, and the FCC granted these as well in September 2008, also requiring these parties to provide accounting data.

In August 2014, the Commission initiated a rulemaking to determine whether Part 32 rules could be streamlined to reduce regulatory burdens while still allowing it to maintain access to the data it needs to fulfill its statutory and regulatory obligations. AT&T, Verizon and other price cap carriers filed comments calling for the elimination of Part 32 rules for price cap carriers and transitioning from Part 32 to GAAP accounting.

NTCA, WTA, ERTA, and NECA also filed comments, expressing no objection the proposal to more fully align the USOA with GAAP for price cap carriers, but suggested full adoption of GAAP for RLECs at that time might result in unpredictable changes in RLECs' rates and USF high cost mechanisms, as these mechanisms were in the process of being revised.

The Commission's February 23, 2017 Open Meeting agenda tentatively includes a Report and Order that would streamline and eliminate Part 32 accounting rules for price cap carriers, replacing them with GAAP accounting.

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Jurisdictional Separations Procedures (Part 36)

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 revenue between the state and interstate jurisdictions. This part 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.

The 1996 Telecommunications Act mandated significant changes to universal service, interconnection, and access charge reform 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 on 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, the Commission extended the freeze until June 30, 2010, and referred the issue of comprehensive reform to the Federal-State Joint Board on Separations. The FCC asked the Board to prepare a recommended decision regarding whether, how, and when the separations rules should be modified and to consider the effects of any proposed jurisdictional separations reform on broadband deployment.

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

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Interconnection (Part 51)

The Commission added Part 51 in 1996 to implement the interconnection requirements set out in sections 251 and 252 of the Telecommunications Act of 1996. Section 251 mandates that each telecommunications carrier has a duty to provide interconnection directly or indirectly to the facilities of any other telecommunications carrier. Section 252 defines the procedures for negotiation, arbitration, and approval of agreements for the interconnection of services or unbundling network elements. This section also provides that pricing for interconnection and network element charges is to be based on cost and determined by a state commission to be just and reasonable. Part 51 also contains rules addressing dialing parity for ILEC competitors, reciprocal compensation, eligibility for suspension of interconnection obligations, and the transition of intercarrier compensation to bill-and-keep, per the 2011 Transformation Order.

Interconnection and the Rural Exemption

The Commission defined the term "interconnection" to mean the physical linking of two networks for the mutual exchange of traffic, set a minimum of six "technically feasible" points at which ILECs must provide interconnection, and identified a minimum set of network elements that ILECs must provide on an unbundled basis to requesting carriers (UNEs). The rules require ILECs to provide any technically feasible method of interconnection or access requested by a carrier, including physical collocation, virtual collocation, and interconnection at meet points. The rules direct state commissions to set interconnection and unbundled rate elements, and establish standards and procedures the FCC will use if it must assume the responsibilities of the state commission under section 252 of the 1996 Act.

The Commission also established a set of rules for the "rural telephone company" exemption from the requirements of interconnection under section 251(f).

In August 2003, the FCC reduced ILEC unbundling obligations, including eliminating most unbundling requirements for broadband architectures serving the mass market in recognition of increasing intermodal broadband competition in the marketplace.

Intercarrier Compensation

Part 51 addresses compensation for the exchange of "access" and "non-access" telecommunications traffic. "Non-access" traffic traditionally is local interconnection traffic, including traffic exchanged with wireless carriers within a Metropolitan Traffic Area (MTA). Rates for "access" traffic are traditionally filed in state or interstate tariffs; rates for "non-access" traffic are traditionally set in reciprocal compensation arrangements that are privately negotiated.

The 2011 Transformation Order amended Part 51 to establish rules to govern the transition of all intercarrier compensation for traffic exchanged with a LEC to bill-and-keep.

- Terminating switched access rates, as well as certain transport rates, were capped as of December 29, 2011, the effective date of the Order.
- Interstate and intrastate rates were brought to parity within two steps, by July 2013.
- Carriers had to reduce their termination (and for some carriers also transport) rates to bill-and-keep, within six years for price cap carriers and nine for rate-of-return carriers (by July 1, 2020).

Numbering (Part 52)

The Commission added Part 52 in 1996 to address telephone numbering administration and Local Number Portability (LNP). Telephone numbering administration refers to the allocation of numbers in an equitable fashion to different types of telecommunications providers. LNP allows a customer to change local telephone service providers without having to change telephone numbers, provided the customer remains at the same location.

In 1995, the Commission created the North American Number Council (NANC) to make recommendations to the FCC on numbering issues and oversee the North American Numbering Plan (NANP) process. The Commission also created an impartial entity, the North American Numbering Plan Administrator (NANPA) to be responsible for administering and assigning telecommunications numbering resources in an efficient and non-discriminatory manner. The Commission gave NANPA the specific responsibility of allocating NPA codes (commonly referred to as "area codes") and NXX ("exchange") codes.

Local Number Portability

The 1996 Act mandated that all incumbent and competitive LECs provide numbering portability, to the extent that it is "technically feasible." The Commission later required all cellular, broadband PCS, and CMRS providers to provide number portability, including intermodal (wireline-wireless) portability. Small carriers are required to provide wireline-to-wireless intermodal porting where the requesting wireless carrier's coverage area overlaps the geographic location in which the customer's wireline number is provisioned, provided the porting-in carrier maintains the number's original rate center designation following the port. A LEC with fewer than 2% of the nation's subscriber lines in the aggregate may petition its state commission for suspension or modification of LNP requirements under Section 251(f)(2) of the Act.

In May 2010, the FCC released an Order requiring the porting of customer phone numbers to a new provider within one business day.

A 2007 Order expanded LNP obligations to VoIP providers and the carriers that provide numbers to them, effective March 24, 2008. In June 2015, however, the Commission issued an Order establishing a process to authorize interconnected VoIP providers to obtain NANP telephone numbers directly from the Numbering Administrators, rather than through intermediaries, such as CLECs, as they had been previously doing.

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Universal Service (Part 54)

Part 54 contains rules governing universal service support programs, including the high-cost and low-income funds and programs for schools, libraries, and rural health care providers. The FCC's universal service programs have been evolving since 1984 when the Commission first 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 costs and theoretically leading to lower local service rates. These "expense adjustment" provisions, incorporated in Part 36 of the Commission's rules, formed the basis of universal service funding for high-cost companies.

The 1996 Telecommunications Act now requires the FCC to:

- ensure the availability of telephone and information services for all Americans, including consumers living in rural, insular and high-cost areas, low-income consumers, and schools, libraries and rural health care providers;
- ensure affordable service through explicit universal service mechanisms;
- maintain universal service support mechanisms that are "specific, predictable and sufficient;"
- require all providers of interstate telecommunications to contribute to the universal service mechanisms; and
- allow competitive LECs and other telecommunications providers to qualify for universal service support.

USF Administration

In 1997, the Commission directed NECA to create an independently functioning not-for-profit subsidiary through which it was to administer temporarily certain portions of the USF program. This subsidiary is now USAC. NECA was also directed to create an unaffiliated, not-for-profit corporation to manage the schools and libraries program as well as another unaffiliated, not-for-profit corporation to manage specified portions of the rural health care program. The unaffiliated corporations, NECA's independent subsidiary, and a special committee were made accountable to the Commission for their performance of all functions relating to the administration of the USF support mechanisms, and in 1998, the FCC merged them all into USAC, effective January 1, 1999.

2011 Transformation Order

Prior to 2011, the High Cost support mechanisms included Local Switch Support (LSS), High Cost Loop Support (HCLS), Interstate Common Line Support (ICLS), and Safety Net Additive (SNA), a component of HCLS. The 2011 Transformation Order, however, phased out LSS, SNA, and the "identical support rule," which allowed competitive carriers to receive the same support an ILEC received for serving customers in ILEC territories. The Order also placed limitations and caps on the remaining mechanisms. The Transformation Order granted support for broadband Internet access service for the first time, and created: a new Connect America Fund (CAF) with separate plans for price cap carriers and rate-of-return carriers and an annual funding target of $4.5 billion over the next six years; a new Mobility Fund which is to provide $500 million per year in ongoing support; and a Remote Areas Fund which is to provide at least $100 million (not yet started). The Order set a "budget" for RoR carriers of $2 billion per year in

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total high-cost support through 2017. RoR carriers receiving legacy USF support or CAF support to offset lost ICC revenues resulting from the ICC reforms must offer broadband service with actual speeds of at least 4 Mbps/1 Mbps upon their customers' reasonable request, and are subject to the annual reporting requirements.

2016 RoR Reform Order

On March 30, 2016, the FCC released an Order reforming USF support for rate-of-return carriers, which created two paths for RoR carrier USF support; a model-based option for companies wishing to receive support based on the Commission's A-CAM, and a Broadband Loop Support mechanism (BLS) that will replace ICLS for non-model companies. Neither type of support will be provided in census blocks where an unsubsidized competitor offers qualifying service. The Order contains broadband deployment milestones, service performance requirements, OpEx and CapEx limitations, as well as budget controls to maintain a $2 billion per year budget. The Order also reduces the allowable rate of return from the current 11.25 percent to 9.75 percent, with a phased transition.

Part 54 rules have been revised numerous times to accommodate these changes to the Commission's USF high cost support mechanisms.

Contributions to the USF

Part 54 also contains rules specifying how the USF is to be funded, i.e., the contribution methodology. Entities that provide interstate telecommunications services to the public for a fee must contribute to the USF, as well as certain other providers of interstate telecommunications, such as payphone providers that are aggregators, providers of interstate telecommunications for a fee on a non-common carrier basis, and interconnected VoIP providers. USAC determines the quarterly contribution factor based on providers' projected collected interstate and international revenues derived from domestic end users for telecommunications or telecommunications services, net of projected contributions. While there is a great deal of pressure to revise the USF contribution methodology, largely because the interstate revenue base is declining rapidly, and there have been numerous proposals to base contributions on broadband service, the Commission has not yet taken any action.

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Tariffs (Part 61)

Part 61 of the Commission's rules outlines the procedures that carriers must follow in filing tariffs. Tariffs are legal documents governing the terms and conditions under which common carriers offer their services to the public. Tariffs for local services are generally filed with state public utility commissions; tariffs for interstate services are generally filed with the FCC. The rules include provisions governing the form and content of tariff publications, notice periods, cost support requirements, and procedures governing review of filed tariffs.

Dominant vs Non-Dominant Carriers
Early tariff rules applied in the same manner to all subject carriers. When competition in the interstate long distance telecommunications market began to evolve in the 1970's, the Commission drew a regulatory distinction between "dominant" and "nondominant" carriers, i.e., those found to have the power to set prices on a monopoly basis in a given market vs. those lacking such market power. Tariffs filed by dominant carriers were subject to traditional rules governing notice periods and standards of review. Tariffs filed by non-dominant carriers were first subject to "streamlined" regulation then later prohibited entirely.

Access Charge Tariffs:
In its 1983 Access Charge Order, the FCC determined that local exchange carriers should be required to file tariffs for interstate "access" services. Concern over the potential administrative burdens associated with these tariffs, in part, led the Commission to require the formation of NECA to act as access tariff filing agent for local exchange carriers. Rules governing access tariffs are found in Part 69.

Price Cap Regulation:
Tariff rates were traditionally set using "cost of service" methods, which require carriers to submit extensive cost support materials with their filings. Starting in 1989 the FCC began applying incentive or "price cap" methods to larger carriers. Larger LECs and many mid-size companies are now subject to price cap regulation.

Deemed Lawful:
Courts adjudicating ratemaking cases have long drawn a distinction between "legal" and "lawful" tariffs. A "legal" tariff is a tariff that is procedurally valid – it has been filed with the Commission and the Commission has allowed it to take effect. A "lawful" tariff is a tariff that is not only legal, but also contains rates that are "just and reasonable." In the 1996 Act, Congress determined tariffs filed on a streamlined basis would be "deemed lawful" unless suspended and set for investigation by the Commission. "Deemed lawful" rates are not subject to refunds. NECA usually files its tariffs on a streamlined basis.

Forbearance
In 2012, USTelecom filed a Petition for Declaratory Ruling asking the Commission to rule that ILECs are "no longer presumptively dominant when providing interstate mass market and enterprise switched access services." In early 2016, the FCC sought comments to refresh the record on this Petition. The larger price cap carriers supported the Petition, but competitive providers and several states opposed it.

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Miscellaneous Rules Relating To Common Carriers (Part 64)

Part 64 of the CFR includes rules concerning a variety of topics ranging from telecommunications services for individuals with hearing and speech disabilities (including the Telecommunications Relay Service (TRS) fund), to consumer protection rules. The following sections are of particular interest to NECA:

- Subpart I addresses the allocation of costs between regulated and non-regulated services. The Commission's rules for some time have forbidden carriers from "cross-subsidizing" non-regulated activities with revenues from regulated services or from allocating costs of non-regulated operations to regulated operations. This is consistent with section 254 (k) of the 1996 Telecommunications Act, which prohibits carriers from subsidizing competitive services with non-competitive services, and directed the Commission, with respect to interstate services, to establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that carriers do not misallocate costs of nonregulated activities, and to ensure proper allocation of joint and common costs for facilities used to provide universal services.

  This rule section also requires Class A large ILECs to file a Cost Allocation Manuals (CAMs) describing how they separate regulated from nonregulated costs. Pursuant to an FCC Order, NECA also annually files a cost accounting and procedures manual, which provides assurance that cost recovery associated with NECA's administration of the FCC's access charge plan does not subsidize any other activities.

- Subpart R requires interexchange carriers (IXCs) to charge rates to subscribers in rural and high-cost areas that are no higher than the rates charged by each such provider to its subscribers in urban areas and charge rates in each U.S. state that are no higher than the rates charged in any other state. This "geographic rate averaging" rule has traditionally been important to rural consumers who might otherwise pay higher rates for toll calls.

- Subpart V contains the rules adopted in 2013 to address rural call completion problems. They require providers of long-distance voice services to record call attempts to rural areas, retain these records, and file a quarterly report with the Commission. The House recently passed a bill to address this same issue, which would require intermediate providers to register with the FCC and meet call quality standards to be adopted by the FCC.

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Interstate Rate of Return Prescription (Part 65)

Part 65 defines the maximum allowable interstate exchange access rate of return (RoR) that certain ILECs can receive for providing certain interstate services. This Part also contains rules governing procedures for changing this allowable rate of return, the filing procedures a company must follow to participate in a represcription proceeding, and enforcement mechanisms.

Prior to AT&T's divestiture, the Commission set a single RoR for AT&T's interstate services, with represcription proceedings held at irregular intervals. Those proceedings consisted of traditional, trial-like hearings. After divestiture, the Commission developed a more streamlined represcription process, enabling the Commission to establish separate rates for AT&T and for ILECs using their own facilities for originating and terminating interstate calls. At that time, all carriers providing interstate access services operated on a RoR basis. The first represcription proceeding under these new rules set the RoR on interstate access at 12% for ILECs, but in 1990 the Commission represcribed the allowable RoR at 11.25%.

The Commission has relied on the tariff review and complaint processes as an enforcement mechanism for RoR prescription, with varying results in subsequent court reviews. The continuing viability of the Commission's RoR enforcement mechanisms has been called into question, however, following the D.C. Circuit's 2002 decision in *ACS of Anchorage v. FCC* to vacate a Commission Order that required an ILEC to pay damages for RoR violations arising out of tariffs filed on a "streamlined" basis. The Court found that section 204(a)(3) of the Act, under which a streamlined tariff is "deemed lawful," bars refunds for RoR violations. Since most tariffs are filed on a streamlined basis, the extent of the Commission's ability to enforce RoR prescriptions under Part 65 has become unclear.

In its November 2011 Transformation Order the FCC initiated a proceeding to represcribe the authorized RoR, which had not been updated since 1990. In February 2012, the FCC sought comment on how to calculate the Weighted Average Cost of Capital (WACC) for the relevant companies. The FCC also performed its own preliminary analysis and determined the authorized interstate RoR should be no more than 9%. The FCC, on its own motion, also waived certain existing procedural Part 65 rules to streamline and modernize the RoR prescription process to align it with current FCC practice. In 2013, the FCC released a staff report suggesting the authorized RoR should be between 8.06 percent and 8.72 percent.

In its March 30, 2016 RoR Reform Order, the Commission represcribed the RoR for rate-of-return regulated carriers, reducing it from the current 11.25% to 9.75%, with a phased transition. Pursuant to the transition, the RoR was reduced to 11% in July 2016, and will continue to be reduced annually until July 1, 2021, when it reaches the target RoR of 9.75%.

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Access Charges (Part 69)

Part 69 contains rules specifying how the interstate costs identified via the Part 36 jurisdictional separations process are recovered through access charge rate elements, and describes how access revenues are distributed. These charges are assessed both on end-users and on interexchange carriers (IXCs) who use ILECs' facilities to originate and terminate long-distance service. Subpart G of Part 69 describes the establishment of NECA, its Board of Directors, and its functions.

The Part 69 rules identify two types of costs: non-traffic sensitive (NTS) and traffic sensitive (TS).

- NTS costs, including those associated with the common line or local "loop" connecting an end-user's home or business to the ILEC's central office, make up a significant portion of LEC interstate revenue requirements. Finding that continued recovery of these costs through usage-based charges would create incentives for uneconomic bypass, the Commission determined that a portion of these costs should be recovered through flat-rate charges assessed directly on end-users, not IXCs, such as Subscriber Line Charges (SLCs). The portion of costs not recovered from end-users was originally recovered through per minute carrier common line (CCL) charges assessed on IXCs.
- TS costs, such as the costs of central office switching equipment, are generally required to be recovered from IXCs via usage-based charges.

Since the original access charge rules were implemented in the 1980's the Commission has reduced the extent to which non-traffic sensitive costs are recovered via per-minute charges on IXCs, while increasing flat-rated end user charges. Differences between common line revenue requirements and amounts recovered via flat-rated charges have been considered "implicit subsidies," to be recovered via revised universal service funding mechanisms.

The May 2000 "CALLS" Order, among other things, removed $650 million in common line costs from price cap company access charges for recovery via a new portable interstate access universal service support mechanism. The Commission implemented similar reforms for RoR ILECs in its 2001 MAG Order, which increased SLC caps for smaller companies, phased out the CCL charge, and created a new Interstate Common Line Support (ICLS) mechanism to recover shortfalls between the common line revenue requirements of RoR carriers and amounts recovered via SLCs.

On October, 27, 2011, the Commission adopted the Transformation Order, which significantly reformed both universal service support and intercarrier compensation. The Order adopted a uniform national bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with a LEC, and it established a transition plan to bill-and-keep that differed for price-cap and RoR carriers. For RoR carriers, terminating switched end office and reciprocal compensation rates were reduced to $0.005 on July 1, 2016, and will be further reduced to $0.0007 by July 1, 2019, and to bill-and-keep by July 1, 2020. Revenues lost from ICC reform may be recovered through a combination of customer charges, including a new Access Recovery Charge (ARC), and CAF ICC funding. The FCC indicated it would consider transitioning originating access to bill-and-keep at a later date.

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