Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Reforming Legacy Rules for an All-IP Future	)	WC Docket No. 25-311
	)	
Accelerating Network Modernization	)	WC Docket No. 25-208

Comments of the Small Company Coalition

The Small Company Coalition (SCC) submits these comments in response to the Federal Communications Commission's (FCC or Commission) Notice of Proposed Rulemaking (*NPRM*) issued in the above-captioned dockets.[1]

The SCC is an alliance of rural telecommunications companies formed to educate and empower small rural local exchange carriers (RLECs) on methods to advocate for beneficial regulations and legislation. We endeavor to influence and revise regulations and legislation that would impede the ability of small RLECs to provide advanced telecommunications service to the communities they serve.

<u>SUMMARY</u>

The SCC appreciates the FCC's focus on streamlining regulation and moving forward with the transition to an all-Internet Protocol (IP) communications network. However, inherent in these policies are several related, and important, issues, including technology transitions, IP interconnection, Next Generation 911, and Robocall Mitigation. Thus, it is vital that the FCC move

[1] *In the Matter of Reforming Rules for an All-IP Future*, WC Docket No. 25-311 and *Accelerating Network Modernization*, WC Docket No. 25-208, FCC 26-11 (rel. Feb. 19, 2026)

forward in a deliberative and cautious manner to ensure policy changes are beneficial and conducive to the ends being sought.

Overall, the SCC recommends that before the FCC moves forward with any proposed changes to the current funding mechanisms, including the phase-down of switched access rates to bill and keep, and the phase-out of the Connect America Fund Intercarrier Compensation (CAF ICC) support, it carefully assess the potential negative impact on the RLECs. In addition, after the completion of this assessment, the SCC urges the Commission to consider the adoption of a new mechanism that would mitigate any harmful impact on the RLECs resulting from implementing an all IP-based network.

I. SWITCHED ACCESS RATE TRANSITION

The SCC understands that this latest NPRM is a furtherance of the intercarrier compensation (ICC) rate transition first addressed in the Commission's 2011 *Transformation Order*.[2] While the SCC disagreed with much that the Commission adopted in the *Transformation Order*, it logically follows that the ICC rates not addressed in the *Transformation Order* should follow the same or similar path – that is, reduce the affected rates to bill and keep levels. However, as with the original ICC rate phase down, the remaining rate phase down must be done in a similar, or even more reasonable and thoughtful, manner given the potential harmful impact on the small RLECs.

It first should be recognized that small RLECs, such as the SCC's members, have made significant progress in the transition to all IP-based networks. This progress was made in spite of time division multiplexing (TDM)-based networks continuing to be used for the provision of voice

[2] *In the Matter of Connect America Fund, et. al.,* WC Docket No. 10-90 (rel. Nov. 18, 2011, FCC 11-161) (*Transformation Order*) at 741 - 825 and 1297

services, and has not been burdened by the continuation of the current switched access ICC regime. Thus, it is not, for the most part, small RLECs that are holding up progress to the transition to IP-based networks. This problem is mainly with the larger carriers that own and operate tandem switches and transport networks.

In addition, the rapid phase out of the remaining interstate and intrastate switched access rates will present significant uncertainties for small RLECs. Besides the loss of revenues, which until this point had been known, measurable, and predictable, it is currently unknown how the FCC's push for all IP interconnection will work, how much it will cost, and how RLECs will recover those costs. To address these uncertainties, and avoid any unintended consequences, the SCC urges the Commission to delay any phase-down of switched access rates until it has determined the potential harmful impact such phase-down would have on the small RLECs and their end users.

The Commission must also address the issue of federal/state jurisdiction and jurisdictional separations in relation to the proposals made in the *NPRM*. The proposal to phase-down switched access rates to bill and keep levels clearly affects state jurisdiction over access services and ratemaking. In addition, many states have implemented state-specific universal service or high-cost support funds that may be affected by the proposals contained in the *NPRM*. As part of the assessment referred to previously, the SCC recommends the Commission undertake a careful review of these complicated jurisdictional issues before proceeding with any changes.

II. FINANCIAL IMPACTS

The financial impact of the Commission's proposals contained in the NPRM is substantial, in large part due to the elimination of CAF ICC support. According to calculations performed by the National Exchange Carrier Association (NECA), the industry-wide loss of annual switched access revenue - both intrastate and interstate - is approximately $67 million.[3] Absent financial relief as noted above, these lost revenues will only accentuate decreased revenue and funding opportunities resulting from already-reduced ICC rates, USF caps, and the continued CAF ICC phase-down. This will undoubtedly cause financial hardships for the most costly and hard-to-serve rural areas of the nation. Total CAF ICC support for the latest USAC projection is approximately $324 million. Together, RLECs would have to recover approximately $391 million in lost revenue from end users, if the FCC's proposals are adopted.

Reducing the revenues by $391 million of an industry built to provide service in the highest-cost, hardest to serve areas of the country will clearly cause some substantial problems. These financial issues apply to all rate-of-return carriers, including those on fixed support as CAF ICC was implemented independently of other high-cost support programs.

According to proposals made in the NPRM, any lost switched access or CAF ICC revenue could only be recovered from end user rates, which would be deregulated and detariffed.[4] At this point, it is unknown if and how these end user rate increases would be under the authority of state regulations or the newly deregulated interstate Telephone Access Charge (TACs) provisions. Regardless, forcing RLECs to recover revenues formerly collected from other carriers would not only result in a windfall for these carriers, but also drive up end user rates. Furthermore, for many companies this would result in unaffordable rates and insufficient funding, in direct conflict with Congress' intent in the Telecommunications Act of 1996, as well as the loss of customers unable

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[3] (Preliminary) NECA projected 2025-2026 Switched Access Revenues, grossed up to include the total rate-of-return carrier population
[4] *NPRM* at 87

to afford higher rates. And while it is true that voice service has, over time, become a smaller part of the RLECs' business[5], it is still an important piece of the overall universal service puzzle.

Thus, and as discussed further below, the SCC urges the Commission to delay the phase-down of CAF ICC and consider adopting a new mechanism to assist RLECs with both the costs and associated substantial lost revenues of the IP transition. Only in this way will the Commission ensure the best path possible to its Build America Agenda and the transition to an all IP world.

III. CAF ICC Phase Out

The Commission proposes in the NPRM to phase out CAF ICC support over two years, starting when intercarrier compensation rates reach bill and keep levels.[6] As stated above, this would eliminate approximately $324 million in annual support from ILEC recipients – an amount that will undoubtedly have significant repercussions. This support was originally developed to assist RLECs with the ICC rate transition adopted in the *Transformation Order*.

In addition, while the industry is in the midst of the all IP transition, there are many unanswered questions and unresolved issues. One example of these unresolved issues relates to the change in interconnection, where carriers will no longer be required to interconnect via what will soon be outdated rules related to TDM interconnection.[7] The SCC recognizes the need for these changes and supports the FCC's overall direction, but there are significant open questions as to where RLECs will be required to interconnect in this new all IP world, how much it will cost, and who will be expected to pay.[8]

[5] *See e.g.*, *NRPM* at 10-13
[6] *Id.,* at 117
[7] See *In the Matter of Advancing IP Interconnection*, Notice of Proposed Rulemaking, WC Docket No. 25-304 (FCC 25-73, rel. Oct. 29, 2025)
[8] For example, see NTCA – The Rural Broadband Association's February 9, 2026 Ex Parte filing in WC Docket No. 25-304, et. al., (*NTCA Ex Parte*) at p.2

The SCC also recognizes that with the proposed reduction in CAF ICC support, there is also an opportunity to reduce unnecessary regulations. Besides the detariffing and deregulation of interstate TACs, the SCC requests the Commission perform a new review of rules and regulations applicable to RLECs that would then become either unfunded mandates considering the change in support, or the already unfunded nature of various mandates would be exacerbated with the reduction in CAF ICC. As an example, one thing that concerns the SCC is the unknown nature of how any lost revenues will be recovered from end users – especially in the context of ever-increasing competition and local rates that are regulated by state regulatory commissions.

Finally, there will be costs for implementing the IP network at every level. As NTCA demonstrated, there are significant costs related to implementing changes necessary for IP networks.[9] These, and other costs, will not likely be recoverable solely from end users, especially if rates are to be and remain affordable. Thus, the Commission must address these costs and, where appropriate, provide support for when these costs threaten any or all of these principles in order to meet the following requirements of the universal service principals contained in section 254 of the Telecommunications Act[10] that: (1) quality services be available at just, reasonable, and affordable rates[11]; (2) access to advanced (i.e., broadband) services should be provided in all regions of the nation[12]; (3) consumers in all regions of the nation, including low-income consumers and those in rural, insular, and high-cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban

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[9] *Id.,* at p. 3
[10] *NPRM* at 24
[11] 47 U.S.C. § 254(b)(1)
[12] 47 U.S.C. § 254(b)(2)

areas[13]; and (4) there should be specific, predictable and sufficient federal and state mechanisms to preserve and advance universal service[14]. One option to address this problem would be to adopt a new fund with the express purpose of providing sufficient and predictable support for the transition to an all IP network.

CONCLUSION

The SCC supports the Commission's drive to support, and where appropriate, accelerate the transition to an all IP network in the United States. However, this action, which will be disruptive from an operational, customer, and financial perspective, needs to be undertaken carefully and prudently, or the Commission risks causing permanent harm to the RLECs that made universal service a reality in rural, high-cost areas of the United States. We thank the Commission for the opportunity to weigh in on this important matter, and the Coalition is available to assist the FCC in this effort. We look forward to continuing to work together to improve the regulatory process on behalf of the small RLECs and our rural customers.

Respectfully Submitted

Executive Committee
Small Company Coalition

[13] 47 U.S.C. § 254(b)(3)
[14] 47 U.S.C. § 254(b)(5)