

FCC Guidance for FY2026

Telecom Program: Urban and Rural Rates

For FY2026, rural rates should be calculated using Method 1, or, if you cannot satisfy the requirements, then Method 2. If neither of these methods is feasible, then you must use Method 3. For urban rates, the process has been simplified.

Rural Rate

The Telecom Program has three ways to calculate the appropriate rural rate. You should work with your service provider to determine the method suitable for your funding request. Method 1 is the default method for calculating the rural rate. If you cannot satisfy the requirements of Method 1, you must proceed to Method 2 and, finally, if neither Method 1 nor Method 2 is feasible, you must use Method 3.

Reviewers are looking for:

- A clear explanation of why any applicant is **not** using Method 1. Applicants will receive an Information Request if they use Method 2 or Method 3 and fail to provide this explanation. In some contexts, this explanation will also need to address the non-use of Method 2.
- Detailed math that was used to calculate the rural rate.
- A clear description of how the rural rate was calculated. Applicants should include clear directions on where reviewers can find each element of the calculation in their supporting documentation. Source documentation must be submitted and clearly referred to in the narrative.
- Documents that are marked up clearly to show the reviewer where to find relevant information.
 - Do not submit a 500-page document that lacks explanation – in your email, direct the reviewer to the exact pages for the relevant information.

Method 1

The FCC has determined that that “[t]he rural rate shall be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier providing the service in the rural area in which the health care provider is located.” (47 CFR § 54.605(a))

- Similar services are those that are functionally equivalent from the perspective of the end user with respect to bandwidth and whether the service is symmetrical or asymmetrical.

When collecting and submitting documents to support the rural rate calculation using Method 1, please keep in mind that the rates used to calculate must be:

- Charged by your telecommunications service provider
- Actually charged to customers
- Charged to commercial customers that are not healthcare providers, and
- For services in the same rural area as the HCP.

Reviewers will look at Census tract data to verify this information. A certified letter from the selected service provider is not sufficient documentation, as it does not show proof of rates actually charged to customers.

If you cannot use Method 1, proceed to Method 2:

Method 2

If the telecommunications carrier does not provide similar or identical service in the rural area where the HCP is located, “the rural rate shall be the average of the tariffed and other publicly available rates, not including any rates reduced by universal service programs, charged for the same or similar services in that rural area over the same distance as the eligible service by other carriers.” (47 CFR § 54.605(b))

To demonstrate compliance with Method 2, the applicant must submit tariff(s) and/or publicly available rate(s) from which to derive an average.

The services listed on each tariff or publicly available rate must be:

- The same or similar to the service requested and in the same rural area as the HCP.

If using Method 2 for an FCC Form 466 submission:

- The documentation must be dated prior to the submission of the relevant FCC Form 466.
- It must be evident to USAC that any documentation and information supplied was available to the applicant or service provider at the time the applicant submitted its FCC Form 466.
- It must be clear to USAC which rate(s) in the documentation were used to calculate the rural rate. For example, if you are submitting a tariff, please highlight or provide an explanation that clearly indicates where in the tariff document a reviewer can find the rate you used in your calculation.

If it is not possible to use Method 1 or 2, then proceed to Method 3:

Method 3

If there are no such tariffed or publicly available rates in the HCP’s rural area, or the service provider “reasonably determines that this method for calculating the rural rate is unfair,” the service provider must submit cost-based rates to the state commission (for intrastate rates) or the FCC (for interstate rates) for approval.

If using Method 3 for an FCC Form 466 submission:

- Supporting documentation submitted with the FCC Form 466 must show that the rates were submitted to the state commission or FCC before the applicant submitted the FCC Form 466.
- The applicant must demonstrate that the rate submitted to the FCC or state commission for approval matches the rural rate listed on its FCC Form 466 or explain any discrepancy.

Please work with your service provider to ensure compliance with the rural rate rule.

Urban Rate

Urban Rate Definition

“If a rural health care provider requests support for an eligible service to be funded from the Telecommunications Program, the ‘urban rate’ for that service shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service in any city with a population of 50,000 or more in that state, calculated as if it were provided between two points within the city.” (47 CFR § 54.604(b))

Acceptable Urban Rate Documentation

Documentation provided must show that the applicant’s proposed urban rate conforms to the rule. Examples of rates that may be used to calculate the urban rate include:

- Rates in a current state, federal or NECA tariff for a functionally similar service in a city with a population of 50,000 or more in the state where the HCP is located.
- Publicly available rates charged to a commercial customer.

Elements that reviewers will look for when evaluating the urban rate include, but are not limited to:

- Whether the rate(s) used to calculate the urban rate are for a functionally similar service (for example, whether the rate quoted is a rate for a complete and functional circuit, not simply one component of the circuit), and
- Whether the rate(s) used to calculate the urban rate are charged in a city with a population of 50,000 or more in the HCP’s own state.