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CLIENT ALERT

FCC Opens Rulemaking on USAC Administration

Potential Impacts for FUSF Stakeholders

On July 15, 2026, the Federal Communications Commission (FCC or Commission) announced that it will consider, at its July 22, 2026 open meeting, a draft Notice of Proposed Rulemaking (NPRM) titled "Maximizing Efficiencies in Universal Service Administration," WC Docket No. 26-173. The draft NPRM would seek comment on reforms to the Commission's management and administration of the Federal Universal Service Fund (FUSF), including reforms to Universal Service Administrative Company (USAC) processes, FUSF administrative structure, operating costs, and management responsibilities.

The draft NPRM is procedural rather than self-executing. If adopted, it would begin a comment process and would not itself immediately change FUSF contribution, eligibility, disbursement, audit, or recovery obligations. The FCC's fact sheet states that the proposal is aimed at "strengthening the Commission's management and administration" of FUSF and would seek comment on four broad areas: USAC's current processes, the structure of FUSF administration, operating costs associated with USF administration, and USAC's management and accountability framework.

Executive Summary

The FCC's draft NPRM signals a potentially significant review of the institutional and operational framework for administering the FUSF. FUSF is administered by USAC under FCC direction, and USAC's role touches contributors, carriers, broadband providers, schools and libraries, rural health care participants, Lifeline stakeholders, high-cost recipients, and other entities that interact with FUSF programs. The draft NPRM follows an April 15, 2026 Public Notice in which the Wireline Competition Bureau and Office of the Managing Director sought comment on potential reforms to USAC's operations and management. The July draft NPRM would elevate that review into a proposed rulemaking before the full Commission.

The draft item appears designed to move that inquiry into a Commission-level rulemaking. The FCC's stated focus is administrative efficiency, oversight, governance, and cost control, rather than immediate changes to the substantive universal service support mechanisms themselves. However, reforms to USAC's processes could have practical consequences for audits, appeals, recovery actions, program integrity reviews, reporting, budgeting, and the way program participants interact with USAC.

Clients that contribute to, receive support from, advise on, finance, audit, or depend on FUSF-supported programs should consider participating in the rulemaking. The most useful comments are likely to be operationally specific: identifying concrete pain points in current USAC processes, quantifying administrative burden, proposing governance or accountability improvements, and explaining how reforms could preserve program integrity while reducing unnecessary cost or delay.

Key Proposals & Issues for Comment

01. USAC Administrative Processes
The draft NPRM would seek comment on USAC's processes for administering the FUSF. Potential changes could affect application reviews, audits, payments, appeals, and other administrative procedures. Stakeholders should identify process improvements that reduce compliance burdens while improving efficiency and accountability.

02. Structure of USF Administration
The draft NPRM would seek comment on reforms to FUSF administration. While the FCC has not detailed the proposed changes, they could affect USAC's governance, oversight, and responsibilities. Stakeholders should be prepared to recommend changes that improve accountability and efficiency without disrupting program delivery.

03. Operating Costs & Administrative Efficiency
The draft NPRM would seek comment on operating costs associated with FUSF administration. Potential reforms could affect administrative expenses, cost transparency, and USAC operations. Stakeholders should identify opportunities to improve efficiency and reduce unnecessary costs.

04. USAC Management & Accountability
The draft NPRM would seek comment on USAC management. Potential reforms could affect governance, oversight, transparency, accountability, performance metrics, and decision-making authority.

Practical Implications

The draft NPRM is relevant to communications, broadband, education, health care, and technology stakeholders. FUSF beneficiaries could be affected by changes to application reviews, funding, reimbursements, compliance, documentation, and recovery processes, while service providers supporting E-Rate, Rural Health Care, Lifeline, or High Cost programs may experience indirect impacts. FUSF contributors may also be affected by changes to contribution administration, reporting, invoicing, audits, and dispute resolution. The rulemaking presents an opportunity to address concerns with USAC's audit and enforcement practices and its authority to determine contribution obligations.

As FUSF contribution factors continue to rise, clear processes, reduced administrative burdens, and efficient program administration remain critical to the stability of the fund.

Scale LLP's Communications & Technology Team

Our Communications & Technology team advises companies at the intersection of innovation and regulation. We work with telecommunications providers, infrastructure companies, and technology platforms to navigate complex federal and state frameworks, execute strategic transactions, and manage day-to-day regulatory demands.

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Connect with our Communications & Technology team to evaluate how the FCC's proposed reforms could affect your FUSF obligations, USAC interactions, and potential comments to the Commission.