This document is scheduled to be published in the
Federal Register on 2026-08-31 and available online at
https://www.federalregister.gov/d/2026-17761, and on
https://govinfo.gov

BILLING CODE 6712-01

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 54

[WC Docket No. 26-173; FCC No. 26-52; FR ID 364115]

Maximizing Efficiencies in Universal Service Administration

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Federal Communications Commission (Commission) seeks to improve the administration of the Universal Service Fund (USF or Fund) by seeking comment on four areas related to USF administration: current USF administration processes, i.e., the processes used by Universal Service Administrative Company (USAC) to administer the USF and the Commission's oversight of those processes; the structure of USF administration, that is, USAC's role and responsibilities related to USF administration; operating costs associated with USF administration; and the impact of USAC's Board of Directors on USF administration.

DATES: Comments are due on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** and reply comments are due on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. If you anticipate that you will be submitting comments but find it difficult to do so within the period of time allowed by this document, you should advise the contact listed below as soon as possible.

ADDRESSES: Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated in the DATES section of this document. You may submit comments identified by WC Docket No. 26-173, by any of the following methods:

- *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: https://www.fcc.gov/ecfs/.
- *Paper Filers:* Parties who choose to file by paper must file an original and one copy of each filing. If more than one docket or rulemaking number appears in the caption of a proceeding, the Commission's rules require paper filers to submit two additional copies for each additional docket or rulemaking number.
    - Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
    - Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8:00 a.m. and 4:00 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.
    - Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701. U.S. Postal Service first-class, Express, and Priority mail must be addressed to 45 L Street, NE, Washington, DC 20554.
    - Filings sent by U.S. Postal Service First-Class Mail, Priority Mail, and Priority Mail Express must be sent to 45 L Street NE, Washington, DC 20554.
- *People with Disabilities*: To request materials in accessible formats for people with disabilities (Braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at (202) 418-0530 (voice), (202) 418-0432 (TTY).

FOR FURTHER INFORMATION CONTACT: Stephanie Minnock Stephanie.Minnock@fcc.gov, Telecommunications Access Policy Division, Wireline Competition Bureau, 202-418-7400 or TTY: 202-418-0484. Requests for accommodations should be made as soon as possible in order to allow the agency to satisfy such requests whenever possible. Send an email to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at (202) 418-0530.

SUPPLEMENTARY INFORMATION: This is a synopsis of the Commission's Notice of Proposed Rulemaking (NPRM) in WC Docket No. 26-173; FCC No. 26-52, adopted on August 6, 2026 and released on August 7, 2026. The full text of this document is available for public inspection during regular business hours at Commission's headquarters 45 L Street, NE, Washington, DC 20554 or at the following Internet address: https://docs.fcc.gov/public/attachments/FCC-26-52A1.pdf.

SYNOPSIS

I. DISCUSSION

At the outset, we seek comment broadly on ways to strengthen the administration, management, and oversight of the Fund. Efficient, accountable, and timely administration of the (Universal Service Fund (USF or Fund) is necessary to achieve Congress's direction to the Commission in Section 254 of the Communications Act (Act). However, poor management of those administrative tasks could lead to increased administrative costs, drawn-out application and audit processes, and unchecked waste, fraud, and abuse—all paid for by contributors and their rate-paying customers. As the steward of the Fund, and to ensure that USF administration is effective, efficient, and competitively neutral, we seek broad comment below on the operations, structure, costs, and management of the USF administrator. Are there additional measures that the Commission can implement to safeguard the USF from waste, fraud, and abuse? Are there ways to better effectuate the USF's statutory purpose of making access to affordable telecommunications services available to Americans nationwide? Commenters should provide

specific recommendations for change and discuss the costs and benefits of their proposals in specific, rather than general, terms. Commenters should also note whether their recommendations require changes to the Commission's rules.

A. Program Governance to Ensure the Efficient Use of Finite USF Funds for USF Administration

The Commission has a responsibility to ensure the efficient use of finite USF funds. In this section, we explore the current state of USAC's operations and the Commission's oversight of those operations, with particular emphasis on improvements to the audit and recovery processes, enhancing the speed of operations, and streamlining other internal USAC processes. Based on stakeholder feedback on the *USAC Reform Public Notice*, DA 26-367, released April 15, 2026, we seek comment on ways the Commission can create efficiencies in USAC's administration of the USF.

1. Efficiencies in USF Operations

We seek comment on which USAC processes need streamlining or other improvements to promote transparency, accountability, and cost effectiveness in USF administration. In what situations does a lack of transparency increase burdens on participating providers, or cause unnecessary confusion in program administration? What additional accountability measures could the Commission implement to support our efforts to ensure that USF administration is efficient and effective?

In addition to those general questions, we seek specific comment on whether additional requirements for USAC decision documents could improve transparency and accountability. For example, should the Commission direct USAC to make written decisions resolving appeals publicly available on its website? Currently, when USAC denies a stakeholder appeal, that stakeholder might seek Commission review of USAC's decision, thereby bringing an issue, and USAC's application of the Commission's rules on that issue, to the Commission's attention. Conversely, when USAC grants a stakeholder's appeal, that stakeholder is not likely to seek

Commission review of USAC's decision. Would public availability of USAC appeal decisions mitigate the risk that stakeholders would be taken by surprise by a subsequent change in course by USAC in response to Commission direction? Would making USAC's decisions of stakeholder appeals publicly available help improve transparency for stakeholders? Given that USAC cannot make policy decisions and is bound by Commission direction regarding the interpretation of the Communications Act and Commission rules and precedent, how could the Commission best ensure that publicly available USAC appeal decisions are not perceived as binding precedent? Would there be confidentiality issues associated with making USAC appeal decisions publicly available, and, if so, how could they be addressed?

We also seek comment on whether to codify a requirement that USAC appeal decisions include citation to the Act, Commission rules, and/or Commission precedent. USAC currently provides citations to the Act, the Commission's rules, and relevant Commission precedent to support its decisions to grant or deny stakeholder appeals. Should the Commission codify this practice, e.g., formally require USAC to include citations in its analysis in its written decisions resolving stakeholder appeals? Codifying this practice could help ensure transparency for stakeholders and sufficient notice of unfavorable USAC decisions. However, USAC's failure to meet this citation requirement in a given instance would not, standing alone, itself be grounds for reversal or any other consequence.

We seek comment on whether there are any changes that can be made to USAC's current outreach processes in its administration of the USF programs to enhance the efficiency of that outreach. We seek comment on whether and how USAC outreach to support applicants also should be provided to relevant service providers. In the case of general outreach to applicants as a whole, is sufficient information already available on USAC's website to also inform interested service providers, or would there be benefits to making additional information available? In the case of information requests or similar engagement between USAC and a specific applicant in the case of a pending application, an audit, or the like, should such engagement also include any

relevant service provider(s) to help facilitate faster information gathering and responses? For example, when USAC is conducting outreach regarding a pending application or an audit, should applicants be given the option to identify certain service providers to be copied, or made aware of, certain correspondence with USAC to facilitate faster information gathering? Similarly, should service providers also be given the option to identify certain applicants to be copied on its correspondence with USAC? If so, how would such a process work? Are there potential downsides to increasing the number of recipients of USAC outreach and do those outweigh the potential benefits of faster response times? Are there other changes to USAC's current outreach processes that the Commission should consider? Is there information regarding applications that could be shared on the open data platform to provide service providers or applicants with greater insight into the status of the review?

We seek comment as to whether a high-level performance review of USAC's administration, beyond current Commission oversight processes, would be beneficial to ensure USAC is administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner. When the Commission appointed USAC the permanent administrator, it determined that a review of USAC's performance would help "ensure that it is administering universal service in an efficient, effective, and competitively neutral manner," but a formal review has never been conducted. Should such a review be conducted regularly, going forward? Under what time frames should such review take place? We seek comment as to whether such review should include an opportunity for stakeholder input. We also seek comment on the costs to conduct such a review, including funds used by USAC to respond to the review.

Should the Commission establish additional mechanisms by which stakeholders can raise concerns regarding the impact of USAC's processes on the efficient, effective and competitively neutral administration of the universal services support mechanisms? Currently, stakeholders have various avenues to raise issues with the Commission or USAC, including, but not limited to, utilizing USAC's program-specific customer service resources, filing an appeal with USAC,

sending a letter to the Commission, and/or requesting a meeting with Commission staff. If we were to establish an informal stakeholder forum, what should be the critical components and anticipated outcomes of such a process? Should an informal stakeholder forum be held on a regular basis, for example, biennially? Should these forums be used, among other things, as a mechanism to provide guidance to and engage with stakeholders on technical aspects of the electronic systems used in USF programs before undertaking technical changes to those systems? Should such coordination be limited to instances in which the Commission has directed USAC to implement large-scale system changes? USF stakeholders regularly interact with USAC on issues related to the administration of the USF support mechanisms. Would a process that more directly involves Commission staff increase program administration costs or add layers of review that could slow down efforts to improve day-to-day operation of the USF support mechanisms? Similarly, we invite commenters to discuss whether their experience with the administration of other government funding programs, such as state universal service programs or other federal or state broadband grant programs, could be beneficial examples to inform the administration of the USF. Are there examples of operational efficiencies in other government funding programs that could be applied to the administration of the USF?

Are there operational inefficiencies that could be improved using artificial intelligence (AI)? What processes could be improved with AI, if any? Should AI be used to reduce operational turnaround times and costs? In what ways should it be used? Would efficiency in stakeholder engagement be improved with using AI resources to respond to stakeholder questions? How should any privacy and information security concerns be balanced with potential benefits of using AI in relation to our USF programs? What would be the financial impact of incorporating AI into the administration of USF? If AI is incorporated, what safeguards need to be put in place to ensure data integrity, governance, and quality assurance?

2. Speed of Operations

In the *USAC Reform Public Notice*, WCB and OMD sought comment on changes that could improve USAC processes and reduce undue delays. Several stakeholders have commented that clear deadlines and shot clocks for various USAC operations would increase efficiency and transparency regarding the timing of decisions. We propose to require USAC to publicly report turnaround times or other metrics regarding responsiveness to add transparency around decision-making, and we seek comment on that proposal. What metrics on USAC decision-making and processes would stakeholders find helpful to have publicly available, beyond what is already provided through USAC's Open Data platform? Should such public reporting be included in existing USAC quarterly reports and appendices, or in separate reporting dashboards? We also propose to require USAC to monitor upcoming filing deadlines and the filing status of parties impacted by those deadlines and communicate to individual stakeholders regarding their filing status prior to the deadlines. We remind stakeholders that it is their responsibility to ensure timely compliance with all filing deadlines. Stakeholders will continue to have this responsibility even if the Commission requires USAC to provide the proposed additional notice to program participants; a lack of notice from USAC will not excuse or cure a failure to timely file a form or provide other required information.

To reduce undue delays in USF administration, would it be beneficial for the Commission to establish deadlines or "shot clocks" for specific USAC processes? For example, the Commission could require USAC to follow a timeline for certain processes like application review, similar to how the Commission has a timeline of 180 days for its consideration of applications for transfers or assignments of licenses or authorizations relating to mergers. If the Commission took this approach, which specific USAC processes might benefit from a shot clock? Should we apply a shot clock only to workable applications, excepting those that require further information from applications or additional guidance from the Commission? How will actions taken when a shot clock expires affect future audits or recovery proceedings? If USAC fails to

meet shot clock deadlines or if such deadlines expire, what consequences should there be? What are the cost and benefits of those consequences, including administrative costs incurred by USAC?

Considering that gathering additional information from stakeholders can sometimes delay a review or approval process, how does the gathering of additional information affect a potential shot clock deadline? Under what circumstances could USAC or the Commission pause the shot clock?

What other ways could the Commission ensure timely administrative functions while preventing administrative errors and waste, fraud, and abuse in the USF programs? Would using artificial intelligence (AI) tools to review applications, audits, and appeal review processes help reduce delays while maintaining accurate results?

We invite commenters to provide specific examples of USAC processes that cause undue delay or burden on USF program participants. We also seek comment on successes USAC has had in improving its operations. What are examples of efficiencies that USAC has put in place that reduced delay or burdens on USF program participants? How could the Commission implement those positive steps elsewhere in USF operations?

3. Audits and Recoveries

First, we explore ways to improve the efficiency of audits of USF program beneficiaries, and ways to ensure that the Commission is able to recover all improperly disbursed funding. Under the Payment Integrity Information Act of 2019 (PIIA), and related guidance from The Office of Management and Budget (OMB), the Commission is required to implement compliance audits to identify, estimate, report (e.g., in OMB's Annual Data Call), and reduce improper payments in its programs. The Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123 require that the Commission report on the effectiveness of internal controls and certify, in its Annual Financial Reports, whether these controls effectively protect Commission programs from waste, fraud, and abuse.

As a result of this framework, recipients of USF funds are subject to both random and risk-based compliance audits and other investigations and similar reviews to confirm compliance with program rules, which result in monetary recoveries for the USF when appropriate. In order to identify and assess the level of improper payments as well as test beneficiary compliance with Commission rules, in 2010, the Commission directed USAC to conduct Payment Quality Assurance (PQA) assessments and Beneficiary and Contributor Audit Program (BCAP) audits. BCAP is an annual compliance program designed to evaluate the compliance of USF beneficiaries and contributors with the Commission's USF rules. BCAP audits adhere to the Generally Accepted Government Auditing Standards (GAGAS), and in Commission-approved procedures, USAC tailors its audit samples to program-specific elements such as risk areas, size of disbursements, and beneficiary types. The PQA program is used to determine the baseline improper payment rate for each Commission program in accordance with the PIIA and the practices of other federal agencies. Because PQA assessments are designed to assess and report on improper payment rates on an annual deadline, PQA assessments are limited in scope and typically request information that can be gathered easily in a one-time request. Both types of reviews play an essential role in meeting the Commission's reporting obligations, reducing waste, fraud, and abuse in the USF programs. For example, in 2025 the Bureau issued six orders affirming USAC audit findings, which saved ratepayers over $9 million.

Each USF program has its own BCAP audit requirements and USAC's processes for audit-related recovery letters, non-audit-related recovery letters, and appeal decision letters vary across the USF programs. Should the Commission consider revisions to its rules to standardize these processes to create uniformity across the programs, or does it make sense for different programs to have different processes? In addition, commenters have raised concerns about maintaining consistent standards during audits. How can the Commission clarify audit procedures and definitions prior to the commencement of individual audits while protecting the integrity of the audit processes? Should the Commission direct USAC to establish a

communication channel for stakeholders to ask clarifying questions on requests for additional information during an audit? Are there BCAP audit approaches or mechanisms from other government programs that the Commission should consider implementing in USF audits? If commenters suggest any changes, they should indicate what, if any, changes are required to the existing rules in Subpart H of Part 54 as they pertain to audits or Subpart I of Part 54 as they pertain to review of decisions issued by USAC.

Some commenters have suggested that we should adopt a *de minimis* exemption to random audit requirements such that USF support recipients receiving less than a certain amount of support per year would be exempt from random audits. Should we adopt this *de minimis* exemption? What should be the dollar amount of USF support received to qualify for a *de minimis* exemption? Should the dollar amount of support received accumulate across USF programs or be program specific to qualify for a *de minimis* exemption from random audits? Do other federal programs employ such exemptions and if so, is it pursuant to a specific statutory exemption? Are there any legal barriers to the Commission adopting such an exemption? Would doing so impact our compliance with government-wide financial requirements? What other considerations should determine whether a carrier qualifies for a *de minimis* exemption? How can the Commission ensure no waste, fraud, or abuse of USF support for carriers exempted from random audits? Without random audits of these support recipients, how can we uncover risk areas that may not already be known?

Audits Procedures and Methodology. Additionally, we propose to amend § 54.707 of the Commission's rules to clarify the administrator's ability to audit non-service provider beneficiaries of USF programs. We propose modifying § 54.707 of the Commission's rules to explicitly include non-carrier beneficiaries (i.e., schools, libraries, health care providers) within USAC's audit authority. Beneficiaries may be audited pursuant to their application to and participation in USF programs, and audits are an important tool in rooting out waste, fraud, and abuse, regardless of where the non-compliance originates. The current text of § 54.707 of the

Commission's rules, however, only explicitly mentions "contributors and carriers." We seek comment on amending § 54.707 of the Commission's rules to explicitly encompass non-carrier beneficiaries. Are there any other types of entities we should include in § 54.707 of the Commission's rules, and why?

We further propose to modify § 54.707 of the Commission's rules governing audit controls to codify USAC's ability to calculate recoveries by extrapolating from a statistically representative sample of the auditee's disbursements rather than seeking recovery for only the violations identified in the sample. Under this proposal, the statistically representative sample for the disbursements under audit would require a 90-95 percent confidence level and a 4-6 percent margin of error for samples. Codifying the use of extrapolations of recoveries based on a statistically representative sample could save audit costs for USAC and auditees by limiting audit inquiries only to the sample size needed to determine the appropriate recovery for the whole population of claims or activity by the auditee. Should USAC provide the recipient an opportunity to present additional evidence before withholding or recovering support? Should USAC also provide notice to the support recipient before any withholding or recovery, or would the opportunity to present additional evidence constitute sufficient notice to auditees?

We seek comment on codifying the calculation of recoveries based on a statistically representative sample of disbursements. If the Commission were to adopt this codification, what other guardrails should be in place to ensure that the sample is representative and has the desired statistical properties? Should the methodology used by USAC to determine any given sample be made available for review and challenge by auditee? Should auditees be given the opportunity to demonstrate that the proportion of improper disbursements outside of the sample was less than the proportion in the sample? Commenters to the *USAC Reform Public Notice* urged that the Commission exercise caution before broadly applying sampling and extrapolation measures. Are there ways the Commission could address these concerns to ensure that extrapolation of audit results is reliable?

We also seek comment on any program-specific issues related to extrapolation. Currently, the High Cost program's verifications of broadband deployment and the High Cost program's improper payment rates use extrapolation based on statistically representative samples. Should the Commission direct USAC to use extrapolation based on statistically representative samples to estimate support recovery amounts across all USF programs, not just the High Cost program? Are there programs for which extrapolation of audit results to determine recoveries may be more or less viable? For example, should extrapolations across different procurements be permitted in the E-Rate and RHC programs, even though each procurement is based on a different competitive bidding process?

We seek comment on how USAC would select a statistically representative sample for the E-Rate, RHC, and Lifeline programs. To determine an appropriate sample size requires, at a minimum, specifying a desired confidence level and margin of error, and assuming an estimate for the unknown population standard deviation. Should the Commission specify either a uniform confidence level or a minimum confidence level (e.g., 95%)? Similarly, should the Commission specify a uniform or minimum margin of error (e.g., 5%)? To give auditees greater assurances that estimated recovery amounts will accurately reflect actual improper payments, should the Commission specify even more stringent uniform or minimum values for the confidence level (e.g., 99%) and margin of error (e.g., 1%)? Furthermore, how should the Commission estimate the unknown population standard deviation in each case to determine the appropriate sample size? Should it be allowed to assume a particular value or should it estimate the standard deviation based on a prior sample of disbursements?

What other statistical issues may arise in choosing a statistically representative sample that should be accounted for? For example, if the observations are not statistically independent (e.g., correlated), such as may be the case with payments within the same state or Lifeline subscriptions within a household over time, the required sample size to achieve a given confidence level and margin of error would generally be greater. Should the Commission provide

any guidance on choosing the correct sampling frame and selecting observations from that frame (e.g., stratified vs. simple random sampling)? Additionally, we seek comment on what dimensions, or variables, the Commission should use to stratify its sample.

Recovery Timing. After USAC issues an audit finding or recovery, a party has 60 days to appeal USAC's decision to the Commission. We seek comment on the appropriate time after the issuance of an audit finding or initiation of other recovery action for the Commission to recover funds improperly disbursed. For USF contributions, providers must follow a pay-and-dispute procedure by which a provider pays the invoice in full by the due date or incurs interest, penalties, and potential Debt Collection Improvement Act (DCIA) proceedings regardless of any timely filed appeal. If USAC determines that a billing error was made, the contributor receives a refund.

In other programs, however, the filing of an appeal currently stays a recovery. This approach delays the return of improperly disbursed funds. To create a more efficient process and obviate the delay of repayment of improperly disbursed funding, we seek comment on adopting a pay-and-dispute model for all USF programs whereby beneficiaries and service providers would be required to pay a recovery to USAC notwithstanding the filing of an appeal, such as a petition for reconsideration, so long as there has been a relevant Bureau or Commission-level decision.

We also seek comment on what rules the Commission would need to alter to adopt a pay-and-dispute model. Should the Commission exempt USF debts from § 1.1910(b)(3)(i) of the Commission's rules, which allows timely appeals and judicial proceedings to stay certain DCIA proceedings? Alternatively, should we modify 47 CFR 1.1910(b)(3)(i) to codify a pay-and-dispute policy, or clarify that payment is due after the Bureau issues an order upholding USAC's finding of improper payment, in the context of USF debts, even if the party subsequently files an application for review? Should the Commission clarify in its rules that an uncontested USAC decision satisfies the requirement that an affected party has been afforded an opportunity for

review within the Commission as required by 47 CFR 1.1912? We seek comment on these options.

Other Best Practices. Currently, USAC uses audit and other program-specific reviews to detect improper disbursements, general program compliance, and to identify instances of waste, fraud, and abuse. When there are either known or highly suspected instances of alleged misuse of funds, failure to comply with program rules, or other potential waste, fraud, or abuse of funds, are there practices and policies that the Commission should consider adopting, consistent with federal law, beyond our existing mechanisms to combat waste, fraud, and abuse? For example, should the Commission establish additional procedures by which the Administrator must hold funding pending confirmation that the disbursement would comply with Commission rules? Are there practices and policies used by other federal agencies to mitigate acts of misconduct and prevent waste or misuse of federal funds that the Commission should consider adopting? Should the administrator expand use of AI in its document review for audits and program compliance?

Are there other changes to the audit and recovery process, in addition to those proposed here or in the alternative to these proposals, that may streamline or make the audit and funding recovery process more efficient?

Finally, we seek comment on whether USAC's auditors, whether internal USAC staff or third-party contractors, receive adequate training. To the extent that stakeholders think that additional training of USAC auditors is necessary, what kind of additional training should be provided? Should auditors receive additional training related to federal funding oversight? If so, what should that training include?

B. Operating Costs of Current USF Administration

Next, we turn to USAC's operational costs and ways to minimize administrative costs involved in USF administration. USAC's budget includes expenses related to program operations, corporate costs (e.g., software), and professional expenses (e.g., staff salaries). USAC's annual operating budget is approved by the Commission and reviewed on a quarterly

basis. The process begins with USAC setting an annual operating budget for administering the USF programs. USAC develops its annual budget by analyzing USAC's expenditures for the last five years and seeking input about anticipated costs from each of the program managers. This proposed budget then undergoes review by USAC executives. Once the annual operating budget is internally reviewed and approved, it is submitted to OMD and the USAC Board for review and feedback. USAC incorporates this feedback, and the Board reviews and approves the anticipated annual budget. Then, on a quarterly basis, USAC reviews and revises its operating budget. Then the quarterly budget, which may include revisions for administrative expense projections and expenditures from the last quarter, is sent to the Commission for review. The Commission provides feedback and may direct USAC to revise the quarterly budget to incorporate that feedback. At the end of every year, USAC reports its annual financial statement to the Commission; this statement is subject to change based on the completion of USAC's financial audit the following year.

Budget. To streamline USAC's operational costs and ensure the responsible stewardship of USF funds, we seek comment on whether USAC's budget should be subject to a cap. In 2025, USAC's total operation expenses were $266,603,608. If USAC's budget is subject to a cap, should that cap be a fixed amount, a proportion of disbursed or projected support, or something else? If the cap is a fixed amount, what should that fixed amount be and should it be automatically adjusted each year for inflation? Should inflation adjustments be based on the Gross Domestic Product Chain-type Price Index used for E-Rate and RHC program inflation adjustments, or something else? If a cap is based on a proportion of operating expenses and disbursements, what should that proportion be? In 2025, USAC's operating expenses were 3.06% of operating expenses plus disbursements. Based on that information, is there a specific proportion of operating expenses plus disbursements that could serve as a USAC budgetary cap? Finally, are there any other mechanisms that could be used to establish a USAC budget cap?

We also seek comment on caps for specific purposes within USAC's budget. Should there be guidelines or limits on what percentage of the budget can be spent on specific resources? How much of USAC's budget should be dedicated towards, for example, information technology, outreach, contractors, and audits? Should USAC's administrative budget be reduced or limited? Would a reduction in the number of USAC staff in certain areas impair USAC's ability to successfully administer the USF? Are there any administrative functions and costs that should be cut or performed by Commission staff? Should USAC staff salaries and benefits be reevaluated? What percentage of USAC's budget should be dedicated to staff salaries? Should the Commission modify its MOU to memorialize the process by which USAC transmits its proposed annual budget to the Commission, which would include any foreseeable increase in outside vendor costs and new full-time employees to improve USAC's accountability on cost and how it allocates resources? If so, should an exception be carved out for Commission adoption of new rules or guidance requiring significant changes in the administration of the programs.

USAC has external contracts with a variety of third parties for USF administration tasks, including tasks like audits of contributions and the USF programs, call center operations, certain application reviews, and IT development and maintenance. The Commission oversees USAC's procurements, and procurement processes are governed by the *USAC MOU*. We seek comment on stakeholders' experience working with contractors of USAC as compared to working with USAC staff. Are contractors knowledgeable enough about the USF contributions and program rules to effectively audit USF contributors and program participants? Does USAC's use of contractors result in inconsistent results in audits, reviews, and customer service inquiries?

Reporting. The Commission requires USAC to file with the Commission and with Congress an annual report by March 31 of each year detailing its operations, activities, and accomplishments for the prior year, including actions performed to prevent waste, fraud, and abuse of universal service funds. Additionally, the Commission requires USAC, on an annual basis, to retain an independent auditor to examine its operations and books of account to

determine whether it is properly administering the Fund. We also note that the Commission requires USAC to maintain its books of account in accordance with generally accepted accounting principles (GAAP), to account for the financial transactions of the USF in accordance with government generally accepted accounting principles (GovGAAP), and to maintain the accounts of the USF in accordance with the U.S. Government Standard General Ledger (USGSGL). Moreover, the *USAC MOU* requires an agreed-upon procedures review (AUP), which is conducted annually by a third party procured by USAC.

We seek comment on what changes to these reporting obligations should be made to better enable the Commission to evaluate USAC's ability to efficiently administer the USF. Are there changes to the USAC annual report or independent financial audit that would be beneficial? Are there other ways to analyze USAC's administrative costs that are not presented by either the annual report or the independent financial audit? Should the Commission amend § 54.717 of the Commission's rules to include other types of review? For example, should the Commission require the external review of the matters generally covered by the AUP to be codified in § 54.717 of the Commission's rules? Or should the Commission retain the flexibility to designate matters subject to the AUP? Should the Commission periodically require external review, through a consultant report, of whether USAC efficiently allocates resources, whether such operations are cost-effective, and ways to improve communications among USAC staff and management to improve implementation and administration of USF programs? If so, and the external review finds that USAC's operations are not cost-effective, what remediation process should the Commission require? How should USAC be required to report on that remediation to the Commission? Are there any other ways to make USAC's operations more cost effective?

Board of Director Costs. Finally, we seek comment on administrative costs related to USAC's Board of Directors. Currently, the 20-person Board is reimbursed for the costs of travel, lodging, and meals when attending USAC's quarterly board meetings. We seek comment on whether there are more efficient ways to conduct board meetings that do not require such

expenditures. We seek comment on the benefit of requiring meetings to be held in-person in Washington D.C., as compared to conducting meetings online. We propose modifying § 54.703(e) of the Commission's rules to remove the requirement that all USAC board meetings be held in Washington D.C., and seek comment on that proposal. Would this enable Board meetings to be conducted in a more cost-effective manner?

C. Structure of USF Administration

USAC has been the administrator of the USF programs since shortly after the Telecommunications Act of 1996 passed. As previous Commissions have done during periodic reviews of USF administration, we seek comment on the utility of maintaining a permanent administrator of the USF, and the effect of that choice on USF administrative expenses. What would be the benefits and drawbacks of moving away from having a permanent administrator? Are there other alternatives to a permanent administrator that would increase efficiency, cut costs, and streamline USF administration? If so, what are those alternatives? Should Commission staff handle portions of USF administration directly? Does the Commission's staff have sufficient expertise and capacity to handle portions of USF administration? How would bringing portions of USF administration in-house impact the Commission's budget?

We seek comment on whether there is any benefit to having the Commission handle specific functions of USF administration. We ask commenters to identify both the function and the benefit provided by having the Commission bring a particular administrative function "in-house." In response to the *USAC Reform Public Notice*, one commenter suggested eliminating USAC's role in billing and collection for USF contributions and instead bringing all contributions functions inside the Commission. The billing and collection function was assigned to USAC at its creation during a time when the funds were held outside the Treasury in a private bank account. Since that time, the Commission has moved the Universal Service Fund to the U.S. Treasury. Given that any payment out of the Treasury requires approval by a certifying officer at

the Commission, currently USAC only makes payment recommendations. We propose updating our rules to remove any obsolete language and accurately reflect how USF funds are held.

If the Commission does retain a permanent administrator, should that administrator continue to be USAC or should other candidates be considered? What issues and criteria should the Commission consider in determining whether to explore a different administrator? What should be the basis for revoking the role of permanent administrator, if an entity is named as one and proves not to be a good steward? What other organizations currently have the expertise and infrastructure to administer the USF? Commenters should discuss the advantages and disadvantages of selecting a new administrator, as well as the minimum qualifications for potential administrators and the optimal agreement duration, including any option years, for a new administrator. Should potential administrators be limited to not-for-profit corporations? How would a change in the administrative structure affect the neutrality of USF administration?

D. USAC's Board of Directors

The USAC Board of Directors (Board) was established to ensure significant, meaningful representation from a balanced cross-section of industry and beneficiaries of and contributors to the USF support mechanisms that would enable USAC to implement the USF support mechanisms in a neutral and efficient manner. Although the Commission emphasized the importance of broad representation of stakeholder interests on the Board, it noted that the Board should not be so large that it is unable to give USAC the prompt and effective guidance needed to undertake its responsibilities.

The Commission's rules specify that USAC shall have a twenty-member Board of Directors, which includes the CEO, and mandate three-year Board member terms. Except for the CEO, each of the Board members represents a specific constituency—including beneficiaries of or contributors to—the USF. The Commission's rules contemplate that each Board member will be nominated by its peers, so that each seat on the Board reflects specific stakeholder interests. The Commission Chair reviews the nominations and selects each member of the Board.

In response to the *USAC Reform Public Notice*, stakeholders suggested that changes to the Board structure would be beneficial to USF administration. We seek comment on some of these recommendations, as well as Board-related matters including conflicts of interest, board composition, Board member terms, and Board committees.

Conflicts of Interest. First, we seek comment on ways that we can ensure that Board members, who represent the companies and organizations most likely to benefit from universal service funding, can avoid conflicts of interest. The MOU between the Commission and USAC states that USAC's Board members "shall avoid any organizational or personal conflicts of interest or the appearance of a conflict of interest in any aspect of the management of the USF, including the USF programs, and the operations of USAC." A conflict of interest is defined as a situation in which a Board member "has a financial interest, personal interest, or relationship that could impair that person's ability to act impartially and in the best interest of the USF when performing their assigned role, or is engaged in self-dealing."

USAC requires Board members to annually disclose personal and familial financial interests in entities with which USAC has a relationship (e.g., USF beneficiaries or recipients, or a party to legal action against USAC), which is consistent with Commission requirements. Board members are also required to annually complete an ethics and confidentiality training module. Despite these measures, Board members are required to be representatives of USF contributors and beneficiaries. Since these members are responsible both to their employers and to USAC, the *GAO 2024 USAC Report*, publicly released August 22, 2024, noted that this structure leads to the appearance of conflicts of interest.

We propose to update and improve the Commission's rules regarding conflicts of interest for all USAC Board members. Does having Board members acknowledge and accept their responsibilities and agree to comply with the provisions within the Board's ethics policy suffice to mitigate potential conflicts of interest? Are there other ways in which the Commission could mitigate potential conflicts?

We propose to require Board members to sign USAC's ethics policy annually. Should Commission rules, and not just USAC's ethics policy, require USAC Board members, when acting in their capacity as Board members, to represent the overall interests of USAC as the administrator of the Fund, and not just the interests of the Board member's personal employer or the constituency represented by their seat on the Board? If so, how should the Commission define a conflict of interest for this purpose?

Should the Commission adopt additional conflict of interest rules that apply only to USAC Board members? Should Board members be prohibited from inquiring into matters that could benefit their employer or the constituency represented by their seat on the Board? We seek comment on how this would impact individuals' willingness to serve on the USAC Board. Should we exclude certain categories of individuals, such as USF program or contributions consultants, from serving on the USAC Board altogether?

Reducing the Number of USAC Board Members. Should the Commission reduce the size of USAC's Board? Specifically, we seek comment on reducing the size of the USAC Board from 20 to 13 members. Commenters have advocated for a reduction in the size of USAC's Board, suggesting a reduction of the Board to no fewer than five members and no more than 15 members. We invite comment on this proposal. Would reducing the size of USAC's Board improve efficiency in the management of USAC?

Modifying USAC Board Composition. In response to the *USAC Reform Public Notice*, we received recommendations to modify the composition of the USAC Board to ensure that Board members have expertise in administrative areas such as financial management, audits, information security, and program administration. Because the USAC Board may benefit from having members of the Board that have expertise in financial management, audits, information security, and program administration, we seek comment on whether to modify the composition of the USAC Board.

What are the benefits and drawbacks of modifying the composition of the board so that half the members have expertise in one or more USF programs (e.g., representatives from schools, libraries, or rural areas, service providers, consumer advocates, or state representatives), and the other half of the Board is comprised of individuals not affiliated with any USF stakeholders but that instead have specific substantive areas of administrative expertise (e.g., corporate management, accounting, grant management, auditing, procurement expertise, and information technology)? Should we require that some Board members have expertise in federal oversight? Should the current constituency categories be merged? Are there any that should be eliminated? What criteria should be used to determine what categories should be modified? Should the categories be eliminated? Is the current level of stakeholder representation necessary for the proper management of USF programs, as one commenter suggested? How should the Commission compare the benefits of that representation with the potential ethical issues of having representatives with financial interests in the USF participate in oversight of USAC? Is expertise in the USF programs alone enough to provide adequate representation on the Board? What level of administrative experience should Board members have?

We also seek comment on other approaches to modifying the composition of the Board, such as selecting Board members based solely on qualifications that would support USAC's administration of the USF. Should we modify the Commission's rules to allow any interested member of the public the opportunity to nominate a USAC Board member? This could broaden the candidate pool and provide Commission leadership the ability to select Board members from among all qualified nominations received.

Terms for USAC Board Members. Given that staggered terms reduce the likelihood that there will be multiple vacancies pending appointment of replacement Board members, we propose to maintain the staggered three-year terms and seek comment on this approach. We seek comment on whether USAC board members should be subject to term limits and, if so, how many

terms should be permitted for each individual. We also seek comment on under what circumstances a USAC Board member may be removed prior to the end of their term.

Updating USAC Board Committees. The Commission's rules establish three USAC Board Programmatic Committees with responsibility for different USF programs: (1) the High Cost and Low Income Committee; (2) the Schools and Libraries Committee; and (3) the Rural Health Care Committee. There is also an Audit Committee and an Executive Committee. Each of the Programmatic Committees is "vested with the powers and authority necessary to maintain the unique missions and functions of the schools and libraries, rural health care, and high cost and low income support mechanisms, respectively."

We seek comment on the extent to which the Board Programmatic Committees are influencing and improving USAC's administration of the four USF programs. We seek comment on whether the Commission should create a committee, with members appointed by the Commission Chair, to provide oversight over USAC's internal administration (e.g., management of IT systems and projects, functions shared across USF programs, and USAC administrative and procurement expenses), to ensure efficient and cost-effective administration of the USF. In light of the proposed reduction to the size of the USAC Board, we also seek comment on how this would impact Board committees. We seek comment on modifying our rules to eliminate Board Programmatic Committees and create committees focused only on audits and on USAC governance and risk. We seek comment on amending the Commission's rules to require each committee of the USAC Board to implement measures to improve the efficiency and effectiveness of the administration of their respective programs. What measures should we adopt to meet this goal? We also seek comment on whether the Commission should promulgate additional rules setting forth responsibilities for Board committees and clarify how these committees are subject to Commission oversight.

II. PROCEDURAL MATTERS

Paperwork Reduction Act Analysis. This document does not contain proposed

information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified information collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4).

Regulatory Flexibility Act. The Regulatory Flexibility Act of 1980, as amended (RFA), requires that an agency prepare a regulatory flexibility analysis for notice and comment rulemakings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities." Accordingly, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) concerning the possible impact of potential rule and/or policy changes contained in this *NPRM*. The Commission invites the general public, in particular small businesses, to comment on the IRFA. Comments must be filed by the deadlines for comments on the *NPRM* indicated in the DATES section of this document and must have a separate and distinct heading designating them as responses to the IRFA.

Ex Parte Presentations. This proceeding shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules. Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must: (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to

Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with Commission rule 1.1206(b). In proceedings governed by Commission rule 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (*e.g.*, .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

Providing Accountability Through Transparency Act: Consistent with the Providing Accountability Through Transparency Act, Public Law 118-9, a summary of this document will be available on https://www.fcc.gov/proposed-rulemakings.

III. INITIAL REGULATORY FLEXIBILITY ANALYSIS

As required by the Regulatory Flexibility Act of 1980, as amended (RFA), the Commission has prepared this IRFA of the policies and rules proposed in the *NPRM* assessing the possible significant economic impact on a substantial number of small entities. In addition, the *NPRM* and IRFA (or summaries thereof) will be published in the Federal Register.

A. Need for, and Objectives of, the Proposed Rules

The *NPRM* seeks comment on ways to strengthen the administration, management, and oversight of the Universal Service Fund (USF or Fund) and its administrator, the Universal Service Administrative Company (USAC). The Commission is required by section 254 of the Communications Act of 1934, as amended, to promulgate rules to implement the universal service provisions of section 254, which allow for the availability of affordable telecommunications services to consumers living in high-cost areas, low-income consumers, eligible schools and libraries, and rural health care providers . On May 8, 1997, the Commission adopted rules that reformed its system of universal service support mechanisms so that universal service is preserved and advanced as markets move toward competition. USAC is responsible for

administration of the USF programs, including activities related to collection and disbursement of program support, and producing timely and relevant data and analysis to inform the Commission's policymaking and oversight of the USF and the USF programs. Since the appointment of USAC as the permanent administrator of USF in 1998, no major review of USAC has been conducted. Given the passage of time since the Commission last conducted a wide-ranging review of USAC and its relevant processes, we seek comment on strengthening USAC's internal processes and improving its management structure to increase efficiency in the administration of USF programs. As part of our ongoing commitment that our standards continue to serve the public interest, we also seek comment on whether the Commission's oversight framework for USAC implements best practices, including standards for accountability and transparency.

B. Legal Basis

The proposed action is authorized under sections 1, 2, 4(i)–(j), 254, 201(b), 303(r), and 403 of the Communications Act of 1934, as amended, of the Telecommunications Act of 1996, as amended, 47 U.S.C. 151, 152, 154(i)–(j), 201(b), 254, 303(r), and 403.

C. Description and Estimate of the Number of Small Entities to Which the Proposed Rules Will Apply

The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted. The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. A "small business concern" is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the SBA. The SBA establishes small business size standards that agencies are required to use when promulgating regulations relating to small businesses; agencies may

establish alternative size standards for use in such programs, but must consult and obtain approval from SBA before doing so.

Our actions, over time, may affect small entities that are not easily categorized at present. We therefore describe three broad groups of small entities that could be directly affected by our actions. In general, a small business is an independent business having fewer than 500 employees. These types of small businesses represent 99.9% of all businesses in the United States, which translates to 34.75 million businesses. Next, "small organizations" are not-for-profit enterprises that are independently owned and operated and not dominant in their field. While we do not have data regarding the number of non-profits that meet that criteria, over 99 percent of nonprofits have fewer than 500 employees. Finally, "small governmental jurisdictions" are defined as cities, counties, towns, townships, villages, school districts, or special districts with populations of less than fifty thousand. Based on the 2022 U.S. Census of Governments data, we estimate that at least 48,724 out of 90,835 local government jurisdictions have a population of less than 50,000.

The rules proposed in the *NPRM* will apply to small entities in the industries identified in the chart below by their six-digit North American Industry Classification System (NAICS) codes and corresponding SBA size standard. Where available, we also provide additional information regarding the number of potentially affected entities in the industries identified in Table 1 (2022 U.S. Census Bureau Data by NAICS Code), Table 2 (Telecommunications Services Provider Data and Table 3 (E-Rate Funding Data.

D. Description of Economic Impact and Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

The RFA directs agencies to describe the economic impact of proposed rules on small entities, as well as projected reporting, recordkeeping and other compliance requirements, including an estimate of the classes of small entities which will be subject to the requirements and the type of professional skills necessary for preparation of the report or record.

The *NPRM* seeks comment on changes that would improve USAC's operations and management functions, audits and recovery processes, and efficiency of the USAC annual audit. The *NPRM* proposes to explicitly include non-carrier beneficiaries, such as participating schools, libraries, and health care providers, within USAC's audit authority. The *NPRM* also seeks comment on USAC's board reorganization and streamlining of USAC's budget. Changes to the rules may be associated with new or additional costs to adjust to new compliance obligations, associated audits, collections, evaluation, and appeals for small service providers that voluntarily choose to participate in the USF programs. Small entities may need to hire professionals to comply with the requirements that may be adopted as a result of the proposals and matters discussed in the *NPRM*. Changes in rules may be associated with cost to adjust to new compliance rules associated audits, collections, evaluation, and appeals.

In accordance with our requests for comments in the *NPRM* mall entities are encouraged to provide specific information pertaining to the costs, benefits, and impacts of any potential reporting, recordkeeping, or compliance requirements we discuss. We expect the comments we receive to include information on the costs and benefits, and other pertinent matters that should help us identify and evaluate relevant issues for small entities, including compliance costs and other burdens (as well as countervailing benefits), so that we may develop final rules that minimize such costs and address such issues to the extent possible.

E. Discussion of Significant Alternatives Considered That Minimize the Significant Economic Impact on Small Entities

The RFA directs agencies to provide a description of any significant alternatives to the proposed rules that would accomplish the stated objectives of applicable statutes, and minimize any significant economic impact on small entities. The discussion is required to include alternatives such as: "(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such

small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities."

The *NPRM* seeks comment throughout on the ways in which operational changes to USAC might impact USF program stakeholders, and on the burdens of those proposed rule changes, and any alternatives, on providers, which includes small providers and beneficiaries participating in the USF programs. For example, the Commission seeks comment on whether to adopt an exemption to the proposed audit requirements for recipients that receive less than a certain amount of USF support, and seeks comment on what amount of support should allow providers or recipients to qualify for this exemption. In considering whether and how to update rules to recover improperly disbursed funds, the *NPRM* seeks comment on whether to adopt a revised pay-and-dispute model for all USF programs, which may allow the Commission to recover funds from some providers earlier than required under the current rules.

The Commission expects to more fully consider the economic impact and alternatives for small entities following the review of comments filed in response to the *NPRM*, including cost and benefit analyses. Having data on the costs and economic impact of proposals and possible approaches we discuss will allow the Commission to better evaluate options and alternatives to minimize any significant economic impact on small entities that may result from the proposals and approaches, if adopted. The Commission's evaluation of this information will shape the final alternatives it considers to minimize any significant economic impact that may occur on small entities, the final conclusions it reaches and any final rules it promulgates in this proceeding.

F. Federal Rules that May Duplicate, Overlap, or Conflict with the Proposed Rules

None.

IV. ORDERING CLAUSES

Accordingly, IT IS ORDERED that, pursuant to sections 1, 2, 4(i)–(j), 201(b), 254, 303(r), and 403 of the Communications Act of 1934, as amended, and section 706 of the

Telecommunications Act of 1996, as amended, 47 U.S.C. 151, 152, 154(i)–(j), 201(b), 254, 303(r), 403, and 1302, this Notice of Proposed Rulemaking IS ADOPTED.

IT IS FURTHER ORDERED that, pursuant to applicable procedures set forth in §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments on this Notice of Proposed Rulemaking on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** and reply comments are due on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

List of Subjects in 47 CFR Part 54

Communications common carriers, Reporting and recordkeeping requirements, Telecommunications, Telephone.

Federal Communications Commission.

Marlene Dortch,
Secretary.

Proposed Rules

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR part 54 as follows:

PART 54 – UNIVERSAL SERVICE

1. The authority citation for part 54 continues to read as follows:

Authority: 47 U.S.C. 151, 154(i), 155, 201, 205, 214, 219, 220, 229, 254, 303(r), 403, 1004, 1302, 1601-1609, and 1752, unless otherwise noted.

2. Amend § 54.703 by revising paragraph (e) to read as follows:

§ 54.703 The Administrator's Board of Directors.

* * * * *

(e) All meetings of the Administrator's Board of Directors shall be open to the public.

* * * * *

3. Amend § 54.707 by revising paragraph (a) and adding paragraph (d) to read as follows:

§ 54.707 Audit controls.

(a) The Administrator shall have the authority to audit contributors, and carriers, and beneficiaries (including participating schools, libraries, and health care providers) reporting data to the Administrator. The Administrator shall establish procedures to verify discounts, offsets and support amounts provided by the universal service support programs, and may suspend or delay discounts, offsets, and support amounts provided to a carrier if the contributor, carrier, or beneficiary fails to provide adequate verification of discounts, offsets, or support amounts provided upon reasonable request, or if directed by the Commission to do so. The Administrator shall not provide reimbursements, offsets or support amounts pursuant to subparts D, K, L and M of this part to a carrier until the carrier has provided to the Administrator a true and correct copy of the decision of a state commission designating that carrier as an eligible telecommunications carrier in accordance with § 54.202.

* * * * *

(d) The Administrator shall have the authority when conducting an audit to calculate a recovery based on extrapolation of a statistically representative sample of disbursements at issue in the audit.

[FR Doc. 2026-17761 Filed: 8/28/2026 8:45 am; Publication Date: 8/31/2026]