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

In the Matter of	)	
	)	
Reforming the High-Cost Program for an All-IP Future	)	WC Docket No. 26-96
	)	
	)	
Connect America Fund: A National Broadband Plan for our Future High-Cost Universal Support	)	WC Docket No. 10-90
	)	
	)	
	)	

NOTICE OF PROPOSED RULEMAKING

Adopted: May 20, 2026 **Released: May 21, 2026**

Comment Date: [[60 days after Federal Register Publication]]
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By the Commission: Chairman Carr and Commissioners Gomez and Trusty issuing separate statements.

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I. INTRODUCTION

1. Our Universal Service Fund (USF or Fund) High-Cost Program plays a critical role in supporting connectivity in America, particularly in rural areas. Indeed, the FCC's high-cost support mechanisms have enabled carriers to build out connections to some of the hardest-to-reach locations in the nation. These mechanisms are grounded in section 254 of the Communications Act of 1934, which directs the Commission to preserve and advance universal service with a guiding principle of promoting

"[a]ccess to advanced telecommunications and information services . . . in all regions of the Nation."[1] In implementing section 254, the Commission created the High-Cost Program to support carriers' costs of network deployment and maintenance in hard-to-serve rural and high-cost areas.[2] There are currently a dozen different legacy and modernized support mechanisms under the High-Cost Program.

2. Today, we kick off a process to examine how we can make some of the Commission's high-cost mechanisms even more efficient and effective into the future. Ensuring a predictable High-Cost Program for years to come—call it High-Cost Modernization—will provide continuing support for our Build America Agenda, supercharge American leadership in Artificial Intelligence (AI) by efficiently supporting the broadband-capable networks upon which AI-enhanced applications and services will be delivered and accessed, and will help accelerate the transition to Internet Protocol (IP) networks. We are also asking these questions now because several of the relevant high-cost mechanisms are set to sunset absent Commission action in 2026 and 2028, and others have no ongoing deployment requirements. In addition, we want to ensure that, going forward, we have a rational approach for aligning various broadband funding programs, including the rollout of the $42.5 billion Broadband Equity Access and Deployment (BEAD) program, with the Commission's high-cost mechanisms, and that we regulate mindful of the increased offerings in rural areas by both terrestrial and satellite providers.

3. Through this Notice of Proposed Rulemaking (Notice), we seek comment on updating a certain subset of the Commission's high-cost mechanisms that apply to rate-of-return carriers. Specifically, we are looking at our high-cost mechanisms that provide funding to legacy rate-of-return carriers that currently are not subject to any forward-looking buildout obligations: namely, Connect America Fund Broadband Loop Support (CAF BLS) and High Cost Loop Support (HCLS). Separately, we seek comment on what next steps, if any, we should take with respect to the areas supported by the sunsetting Alternative Connect America Cost Model (A-CAM) I, Revised A-CAM I, and A-CAM II mechanisms.[3] We distinguish these mechanisms from Enhanced A-CAM, which offered nearly $20 billion of forward-looking support over 15 years to carriers transitioning from A-CAM I, Revised A-CAM I, ACAM II and CAF BLS in exchange for new service obligations at a broadband speed of at least 100/20 Mbps.

4. To date, the Commission's high-cost mechanisms have advanced the goal of ensuring that every American has access to communications services. But gaps remain for rural America. Consistent with our Build America Agenda, our proceeding today seeks comment on how a High-Cost Modernization initiative could best ensure that all Americans, particularly those in rural areas, have access to next-generation services in an ever-changing environment. In particular, we seek comment on what should come next for ongoing high-cost support, what form such support should take, and the costs that should be eligible. We also seek comment on ways the Commission may modernize its legacy high-cost support mechanisms to align them with the modern communications landscape.

II. BACKGROUND

5. In the 1996 Act, Congress passed section 254, which set forth principles to guide universal service regulations.[4] These principles included the following: (1) "access to advanced

[1] 47 U.S.C. § 254(b)(2).

[2] *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8782, 8888-8951, paras. 6, 199-325 (1997) (*1997 Universal Service Report and Order*).

[3] This Notice does not examine other modernized high-cost support mechanisms. Additionally, the Commission is exploring changes to the CAF Intercarrier Compensation Recovery mechanism in a separate proceeding. *See Reforming Legacy Rules for an All-IP Future*, WC Docket No. 25-311, *Accelerating Network Modernization*, WC Docket No. 25-208, Notice of Proposed Rulemaking, FCC 26-11, at para. 111 (Feb. 29, 2026) (*2026 ICC Reform Order*).

telecommunications and information services should be provided in all regions of the Nation;" and (2) "[c]onsumers in all regions . . . should have access to 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 service in urban areas."[5] The High-Cost Program, as well as all other USF programs, is supported by contributions from telecommunications providers and other providers of telecommunications, including interconnected Voice-over-Internet-Protocol (VoIP) service providers, based on an assessment on their interstate and international end-user revenues.[6] In general, although not required by the Commission, providers pass on some portion of these contribution costs to their customers.[7]

6. The Commission comprehensively reformed and modernized the High-Cost Program and the intercarrier compensation system in the 2011 *USF/ICC Transformation Order* to "ensure that robust, affordable voice and broadband service, both fixed and mobile, are available to Americans throughout the nation."[8] Recognizing how crucial mobile and fixed broadband service had become to our nation's economic growth, global competitiveness, and civic life, the Commission expanded support for broadband-capable networks and for the first time set specific performance goals for the USF high-cost component to ensure the reforms achieved their intended purpose.[9] The Commission thus initiated a transition for the High-Cost Program from a voice telephony support program to a program that supports networks capable of providing voice and broadband services.[10] To support rural carriers in high-cost areas more efficiently and to minimize the universal service contribution burden on consumers and businesses, the Commission also embarked on a transition from cost-based to fixed-support mechanisms with support levels determined through improved cost models[11] and competitive bidding.[12]

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[4] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (codified at 47 U.S.C. § 151 *et seq*.) (the Act or the 1996 Act); 47 U.S.C. § 254(b)(3); *1997 Universal Service Report and Order*, 12 FCC Rcd at 8776, 8783, para. 7.

[5] 47 U.S.C. § 254(b).

[6] *See* 47 CFR §§ 54.708(a), 54.709(a)(2).

[7] *See* E. Glan Weyl & Michael Fabinger, *Pass-Through as an Economic Tool: Principles of Incidence under Imperfect Competition,* 12 J. Pol. Econ. 528 (2013).

[8] *Connect America Fund et al., Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 et al., 26 FCC Rcd 17663, 17672, paras. 1, 17 (2011), *aff'd sub nom*. In re FCC, 753 F.3d 1015 (10th Cir. 2014) (*USF/ICC Transformation Order* or *FNPRM*).

[9] *Id*. These goals are: (1) preserving and advancing universal availability of voice service; (2) ensuring universal availability of modern networks capable of providing voice and broadband service to homes, businesses, and community anchor institutions; (3) ensuring universal availability of modern networks capable of providing advanced mobile voice and broadband service; (4) ensuring that rates for broadband services and rates for voice services are reasonably comparable in all regions of the nation; and (5) minimizing the universal service contribution burden on consumers and businesses.

[10] *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3090-91, para. 4-5 (2016) (*2016 Rate-of-Return Reform Order*).

[11] The Commission's staff in 1997 developed the first computer cost model used to determine support levels for non-rural carriers serving high-cost areas. *See Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Ninth Report Order and Eighteenth Order on Reconsideration, 14 FCC Rcd 20432, 20435, para. 2 (1999). The Commission adopted a more refined cost model during the *Connect America Fund* rulemaking proceeding. *See USF/ICC Transformation Order*, 26 FCC Rcd at 17674, para. 24 (directing the creation of a forward-looking broadband cost model).

[12] *See USF/ICC Transformation Order*, 26 FCC Rcd at 17667, para. 1.

7. It is helpful to think about the relevant high-cost support mechanisms at issue here by placing them in a couple of categories. First, there are rate-of-return support mechanisms, which provide support based on carriers' historic costs. The mechanisms that we are exploring in this category are CAF BLS and HCLS. Carriers participating in these mechanisms set their rates and receive high-cost universal service support based on their revenue requirements, i.e., revenues sufficient to recover interstate operating and capital expenses, including depreciation expenses and an authorized rate of return on their rate base. Under these mechanisms, carriers currently have no forward-looking buildout obligations.

8. Second, there are sunsetting model-based support mechanisms. Under these mechanisms, carriers receive support based on cost models. The mechanisms we are examining in this category are A-CAM I, Revised A-CAM I, and A-CAM II, which were established to provide an off-ramp for rate-of-return carriers transitioning away from cost-based support. Under these mechanisms, carriers received forward-looking support for a 10-year term and were subject to buildout obligations. Of the High-Cost Program's $4.5 billion annual budget, the two categories of mechanisms we examine today—legacy rate-of-return and sunsetting A-CAM model support—account for approximately $1.6 billion. A third category, not addressed in this Notice, are mechanisms such as Enhanced A-CAM under which formerly rate-of-return carriers receive model-based support and have ongoing buildout obligations, and the mechanisms serving carriers that traditionally received support pursuant to price-cap regulation.

9. *Rate-of-Return Support Mechanisms.* Today, rate-of-return carriers receive USF cost-based support through two high-cost support mechanisms, CAF BLS and HCLS. There are currently 249 rate-of-return local exchange carriers at the holding company level receiving CAF BLS.[13] CAF BLS subsidizes carriers with high local loop costs in the interstate jurisdiction for both voice and consumer broadband-only loops (CBOLs). The Commission paid CAF BLS carriers almost $1 billion in support claims in 2025.[14] Each CAF BLS carrier was required to deploy broadband service capable of offering speeds of at least 25/3 Mbps to a defined number of their study area locations by the end of 2023.[15]

10. Of the carriers receiving CAF BLS, 243 also received HCLS in 2025, which provides support for traditional Public Switched Telephone Network voice lines, including voice lines bundled with broadband service, in study areas with an average common line cost per loop in excess of a specified threshold.[16] Because the operation of HCLS shifts cost recovery for the amount of support provided from the intrastate jurisdiction to the interstate jurisdiction, HCLS effectively subsidizes local voice service rates.[17] In 2015, the Commission paid legacy carriers $741 million through the HCLS support mechanism.[18] In 2025, HCLS amounted to $202 million in high-cost support claims.[19] This amount has

[13] *See* Federal-State Joint Board Monitoring Report, Universal Service Monitoring Report 2025, Supplementary Material, Tables S.3.2, S.3.4 (2025 USF Report Supp.), https://www.fcc.gov/general/federal-state-joint-board-monitoring-reports.

[14] *See* Federal-State Joint Board on Universal Service, Universal Service Monitoring Report 2025, CC Docket No. 96-45, at 46 (rel. Feb. 5, 2026) (2025 USF Report), https://www.fcc.gov/document/2025-universal-service-monitoring-report. CAF BLS carriers were estimated to received $995 million in support in 2025. *Id.*; 2025 USF Report Supp., Table 3.2.

[15] *See* 47 CFR § 54.308(a)(2); *Connect America Fund et al*., WC Docket No. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration, 33 FCC Rcd 11893, 11926, para. 110 (2018) (*December 2018 Rate-of-Return Reform Order*). Currently, more than 25% of CAF BLS, or roughly $250 million, subsidizes traditional local exchange voice-only service. *See* Universal Service Administrative Company (USAC), 2025/2026 Budget Control Mechanism, "CAF BLS Adjustment" tab, https://www.usac.org/wp-content/uploads/high-cost/documents/Budget-Analysis/2025-2026-Budget-Control-Analysis.xlsx.

[16] *See* 2025 USF Report Supp., Tables S.3.2, S.3.4; 47 CFR §§ 54.1301-1310.

[17] *See* 47 CFR § 54.1301(a).

[18] 2025 USF Report, Table 3.2, at 46.

decreased as the number of traditional voice lines has decreased due to consumers subscribing to "broadband-only" services.[20] There are no speed or deployment obligations for receiving HCLS.

11. *Sunsetting Model-Based Mechanisms.* Over the years, the Commission has offered rate-of-return carriers receiving cost-based support the chance to opt into model-based support as the High-Cost Program's focus shifted from voice-only to broadband and voice service offerings. Carriers elected to transition to model-based support in exchange for more certainty, specific terms of support, and broadband deployment obligations.

12. The Commission modified the original Connect America Cost Model (CAM)—designed to model support for areas served by traditionally price-cap carriers—to create the Alternative Connect America Cost Model (A-CAM) to reflect the specific characteristics of rate-of-return areas.[21] The A-CAM was used in 2016 to establish fixed monthly support amounts for A-CAM I offers over a 10-year term in exchange for broadband deployment to a pre-determined number of eligible locations.[22] Carriers were offered support where model-estimated costs for eligible census blocks were more than $52.50 per month, per location up to a cap of initially $200 that was later reduced for budgetary reasons.[23] Ultimately, 214 carriers accepted offers.[24] In return, carriers were obligated to deploy broadband at speeds of at least 25/3 Mbps or 10/1 Mbps to the number of fully funded locations, i.e., locations served at or below the cap, and at least 4/1 Mbps or service on reasonable request to the number of capped locations, i.e., costs above the cap.[25] Most A-CAM I carriers have transitioned to more recent model-based mechanisms, like Enhanced A-CAM, in the intervening years. There are currently nine carriers, at the holding company level, still receiving A-CAM I support.[26] The A-CAM I support mechanism will sunset at the end of 2026.[27]

13. In 2018, the Commission adopted an additional offer for carriers previously electing A-CAM I support. Pursuant to this Revised A-CAM I, the funding cap was increased to $200 per month, per location for all electing carriers, and the term of support was extended by two years, through 2028, in

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[19] *See* 2025 USF Report at 46, Table 3.2.

[20] *Compare* 2025 USF Report at 46, Table 3.2 *with Connect America Fund*, WC Docket No. 10-90, Order, 38 FCC Rcd 5479, 5481, para. 9 (2023) ("The growth in projected [CAF BLS] support by carriers is due, in part, to an increased conversion of voice lines to broadband-only lines, which receive a higher support amount, and an increase in the number of new customers subscribing to broadband-only lines . . . .").

[21] *See 2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3091, para. 4.

[22] The Commission expected that it would conduct a rulemaking to determine support after the end of the 10-year term during year eight of the term, which was 2024. *Id.* at 3097, para. 22.

[23] *Id*. at 3102, para. 37; *December 2018 Rate-of-Return Reform Order,* 33 FCC Rd at 11898, para. 14. The $52.50 funding threshold is based on the Bureau's prior estimate of the reasonable amount of monthly end-user revenues. *See Connect America Fund High-Cost Universal* Support, WC Docket Nos. 10-90, 05-337, Report and Order, 29 FCC Rcd 3964, 4035-41, paras. 170-82 (WCB 2014); *see also Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775, 13776-80, paras. 5-16 (2016) (*A-CAM Revised Offer Order and/or FNPRM*). Carriers whose original A-CAM I offer was less than the amount of legacy support they received in 2015 ("glide path carriers") retained a $200 per location per month funding cap, while other carriers received revised offers with funding caps that varied based on the percentage of locations lacking 10/1 Mbps service, up to $146.10 per location. *Id.*

[24] *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive A-CAM Support*, Public Notice, DA 17-284 (WCB Mar. 30, 2017) (listing 214 authorized study areas).

[25] *2016 Rate of Return Reform Order*, 31 FCC Rcd 3087,3094-3117, paras 17-79 (2016).

[26] *See* 2025 USF Report Supp., Tables S.3.2, S.3.4.

[27] 47 CFR § 54.311(d)(1).

exchange for increased 25/3 Mbps deployment obligations.[28] Ultimately, 186 carriers accepted the Revised A-CAM I offers.[29] There are currently 71 carriers, at the holding company level, still receiving support.[30] Currently, A-CAM I and Revised A-CAM I support accounts for approximately $174 million annually.[31]

14. In the same 2018 order, the Commission established A-CAM II, a new opportunity for legacy carriers to transition to model-based support[32] and in 2019, the Commission extended A-CAM II offers, which also required commitments to deploy 25/3 Mbps to eligible unserved locations by 2028, prioritizing areas without access to 25/3 Mbps service.[33] There are currently 71 carriers, at the holding company level, still receiving A-CAM II support.[34] A-CAM II provides approximately $218 million annually.[35]

15. The Commission most recently extended offers for carriers to participate in the fixed-support Enhanced A-CAM mechanism in 2023, which provides support over 15 years, through the end of 2038, for carriers to deploy broadband service with speeds of at least 100/20 Mbps to certain broadband serviceable locations in their study area(s).[36] Ultimately, 304 carriers elected to receive Enhanced A-CAM support and voluntarily transitioned away from previous A-CAM or legacy cost-based support mechanisms.[37]

16. *Developments*. Unlike when many of these USF support mechanisms were originally adopted, we also now have the benefit of the Broadband Serviceable Location Fabric, which is designed to identify all broadband serviceable locations (BSLs) in the nation, and the National Broadband Map, which is designed to identify locations that are served and not served by broadband providers. The National Broadband Map has improved considerably and the Commission continues to pursue improvements that will enhance the accuracy of the data. As a result, the data available to inform high-

[28] *December 2018 Rate-of-Return Reform Order,* 33 FCC Rd at 11898-903, paras. 14-30.

[29] *Wireline Competition Bureau Authorizes Revised A-CAM I Support for 186 Rate-of-Return Carriers*, WC Docket No. 10-90, Public Notice, 34 FCC Rcd 2780 (WCB 2019); 47 CFR § 54.311(d); *2018 Rate-of-Return Reform Order*, 33 FCC Rcd at 11913-15, paras. 64-67.

[30] *See* USAC, High Cost Funding Disbursement Search, https://opendata.usac.org/High-Cost/High-Cost-Funding-Disbursement-Search/cegz-dzzi.

[31] *See* FCC, ACAM Authorization Summary, A-CAM 2.5.2 Authorization Report Version 5.2 (Jan. 8, 2025), https://www.fcc.gov/wireline-competition/acam-authorization-summary.

[32] *December 2018 Rate-of-Return Reform Order,* 33 FCC Rd at 11898-903, paras. 14-30.

[33] *See Connect America Fund*, WC Docket No. 10-90, Report and Order, 34 FCC Rcd 807, 811-12, paras. 12-15 (2019) (*A-CAM II Order*).

[34] *See* USAC, High Cost Funding Disbursement Search, https://opendata.usac.org/High-Cost/High-Cost-Funding-Disbursement-Search/cegz-dzzi.

[35] *See* FCC, ACAM Authorization Summary, A-CAM 2.5.2 Authorization Report Version 6.3 (June 3, 2025), https://www.fcc.gov/wireline-competition/acam-authorization-summary.

[36] *See Connect America Fund: A National Broadband Plan for Our Future High-Cost Universal Service Support et al.*, WC Docket No. 10-90 et al., Report and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, 38 FCC Rcd 7040, 7059, para. 40 (2023) ("Enhanced A-CAM recipients are not required to provide broadband to locations where, in addition to voice service, there is existing 100/20 Mbps or faster broadband service using wireline or terrestrial fixed wireless technology, offered by an unsubsidized competitor, or where any carrier has an enforceable federal or state commitment to deploy 100/20 Mbps or faster broadband service.") (*2023 Report and Order* or *2023 NPRM*).

[37] *Wireline Competition Bureau Announces Carriers that have Accepted Enhanced Alternative Connect America Cost Model Support To Expand Rural Broadband*, WC Docket No. 10-90 et al., Public Notice, 38 FCC Rcd 9241 (WCB 2023) (*Enhanced A-CAM Carriers Public Notice*).

cost support policymaking is far more granular and accurate than the data the Commission previously used for determining high-cost support obligations.

17. In recent years, the National Telecommunications and Information Administration (NTIA) has been tasked with administering the $42.5 billion BEAD program aimed at connecting every American to high-speed Internet with speeds of at least 100/20 Mbps.[38] Rooted in legislation passed in 2021, the program is providing funding for deploying and upgrading broadband infrastructure to unserved and underserved locations across America.[39] Initially structured to prioritize fiber projects, NTIA has since changed its policies to take a technology-neutral approach.[40] All BSLs in rate-of-return areas without terrestrial broadband service of at least 100/20 Mbps or an enforceable commitment to deploy at such speeds as of June 6, 2025 were eligible for BEAD funding.[41]

18. The changes to the BEAD program reflect the rise of broadband service provided by satellite providers in recent years. Historically, satellite broadband was deployed using geostationary orbit (GSO) satellite systems, which presented latency, speed, capacity, and interference concerns.[42] Non-Geostationary Orbit (NGSO) systems, which include low Earth orbit (LEO) satellite systems,[43] have since emerged that offer widely available, low latency broadband service at speeds of at least 100/20 Mbps.[44] As of mid-year 2025, in the study areas covered by the scope of this rulemaking, approximately 9% of all BSLs still lack access to a terrestrial broadband service of at least 100/20 Mbps.[45] However, of that 9%, more than 99% are shown on the June 30, 2025, NBM as served by a LEO satellite provider with a broadband speed of at least 100/20 Mbps.[46]

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[38] Infrastructure Investment and Jobs Act, div. F, tit. I, § 60102(b)(2), 135 Stat. at 1184 (authorizing $42.45 billion of appropriations for the BEAD program).

[39] *See* NTIA, BEAD, https://broadbandusa.ntia.gov/funding-programs/broadband-equity-access-and-deployment-bead-program.

[40] NTIA, BEAD Restructuring Policy Notice at 8 (June 6, 2025), https://www.ntia.gov/other-publication/2025/bead-restructuring-policy-notice; *see also* NTIA, *NTIA Announces Approval of Texas' BEAD Final Proposal* (Nov. 20, 2025), https://www.ntia.gov/press-release/2025/ntia-announces-approval-texas-bead-final-proposal. Texas' "final proposal "covers about 123,000 unserved and underserved locations by fiber, about 65,000 with [LEO] satellite and about 54,000 through fixed wireless." *NTIA Approves Texas' Final BEAD Proposal*, Comm. Daily (Nov. 21, 2025).

[41] *See* NTIA, BEAD, Notice of Funding Opportunity at 2, 36, https://broadbandusa.ntia.gov/sites/default/files/2022-05/BEAD%20NOFO.pdf

[42] *See* Congressional Research Service, Low Earth Orbit Satellites: Potential to Address the Broadband Divide, at i, 5 (Updated Nov. 14 2025) (CRS Report), https://www.congress.gov/crs-product/R46896.

[43] *Id*. at 6.

[44] *Id*. i, 2. In comparison, fiber is scalable to provide download and upload broadband speeds from 200 Mbps up to 20 Gbps. *Id*. at 2.

[45] Based on National Broadband Map as of June 30, 2025 and FCC Form 477 data as of June 30, 2025. *See* FCC, National Broadband Map data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data; FCC Form 477 Additional Data, https://www.fcc.gov/general/fcc-form-477-additional-data. A location is considered served with voice if it is served with broadband of at least 25/3 Mbps by an incumbent LEC or a competitive provider that also reports voice service in the state.

[46] *See* FCC, National Broadband Map, data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data. Providers report maximum advertised speeds in the FCC's Broadband Data Collection, not the speed tiers to which a customer subscribes nor the actual speeds subscribers may receive. A variety of factors may impact speeds recorded during third-party speed tests, including the subscriber's home network setup. *See also* Ookla, Starlink Hits New Highs in the U.S., https://www.ookla.com/articles/starlink-hits-new-us-highs (last updated May 5, 2026).

III. DISCUSSION

19. Since the Commission originally adopted the legacy, cost-based CAF BLS ($995 million in 2025) and HCLS ($202 million) and model-based A-CAM I ($8 million), Revised A-CAM I ($166 million), and A-CAM II ($218 million) high-cost mechanisms, there have been dramatic changes in broadband technology and performance as well as significant broadband deployment by many providers.[47] These changes only underscore the need for the Commission to evaluate what comes next for these high-cost mechanisms. In light of this, we seek comment on whether and how the Commission should reform its legacy high-cost support mechanisms and address the soon-to-be sunsetting model-based support mechanisms. We also seek comment on whether and how the Commission should establish a new support mechanism to ensure sufficient, predictable support for high-cost carriers.

20. In considering changes, we ask questions below about the types of support that are necessary in areas where the carrier already provides service or where a competitor already provides service or will provide service pursuant to an enforceable commitment through a funding program such as BEAD. With competitive voice and broadband options available in these rate-of return areas and $42.5 billion currently dedicated to any areas that are not already served, how should the Commission leverage its high-cost mechanisms to advance universal service principles while promoting the efficient expenditure of finite federal resources?

A. Updating Existing High-Cost Support Mechanisms or Establishing a New High-Cost Support Mechanism

21. The High-Cost Program and intercarrier compensation system were originally intended to make voice telephone service available to residential customers in rural, insular, and high-cost areas at just, reasonable, and affordable rates and at rates reasonably comparable to the rates for similar services in urban areas.[48] With the ongoing IP transition from TDM to IP-based communications, the continued emergence of satellite communications, and the increased availability of alternative federal funding, this Notice examines the levels and types of universal service high-cost support needed going forward for legacy support mechanisms and those A-CAM support mechanisms that are soon to sunset. The Commission in 2023 sought comment on how to modernize the legacy support mechanisms to align them with the current broadband deployment and support environment.[49] We seek to refresh the record and further ask whether and how we should modernize these legacy and A-CAM support mechanisms. For example, there could be at least three potential paths forward: (1) we could update these high-cost support mechanisms to align with the current landscape; (2) we could establish a new single modernized fixed-support mechanism replacement; or (3) we could take no further action and maintain the *status quo* for legacy support mechanisms and allow the A-CAM support mechanisms to sunset.

22. Which of these three approaches should the Commission take to provide ongoing high-cost support efficiently and effectively? Should a new high-cost support mechanism be model-based? If not, what other method could be used to calculate ongoing support, other than cost-based? What are the advantages and disadvantages of either updating existing high-cost support mechanisms or establishing a new mechanism? Should the Commission limit ongoing high-cost support to certain areas? If so, what type of areas should the Commission support and how should the Commission determine those areas? If model-based mechanisms providing support in lieu of CAF BLS and HCLS were allowed to expire, how would recipients' support levels change?

23. If we were to modernize the existing mechanisms or establish a new mechanism, what types of expenses should the Commission prioritize? Should the Commission focus support on capital

[47] All amounts listed are for the annual claims in 2025. *See* 2025 USF Report at 46, Tables 3.2, 3.3; 2025 USF Report Supp., Table S.3.2.

[48] 47 U.S.C. § 254(b).

[49] *2023 Report and Order*, 38 FCC Rcd at 7089-7101, paras. 115-53 (2023).

expenditures or operating expenses? Would there be benefits to establishing a new support mechanism that would enable the deployment of high-speed networks where gaps remain and/or support the ongoing costs of existing networks that were built using high-cost funds? If so, would model-based support be the most appropriate? If a new support mechanism was established to support only operating expenses for existing high-cost networks, should it be limited to certain operating costs? To what extent is support necessary for carrier operating costs to protect those that have already made substantial investments and rely on the existing support mechanisms to recover a portion of the costs to maintain their networks or service existing debt while charging reasonably comparable rates?[50] To what extent is support necessary for communities to continue to be served? If the Commission determined that capital expenses should also be supported under a new mechanism, should that support be limited to certain capital expenditures and subject to a cap? What should the cap be? With any changes either to the existing support mechanisms or with the establishment of a new mechanism, how much time should the Commission provide for carriers that will transition to different support level amount than what is currently authorized? For example, should we provide a transition path over a number of years where there is a percentage reduction in support year-to-year during the transition period? Commenters should provide details on any suggested transition path.

24. If we take either approach, should there be deployment obligations as a condition of receiving support? If there are deployment obligations, what should they be and what should be the timeline for deployment? Should there be milestones that carriers must meet as part of the deployment obligations? If we do require deployment obligations, should we require the deployment of voice and broadband service at a speed of at least 100/20 Mbps to unserved or underserved locations, consistent with the BEAD and Enhanced A-CAM deployment obligations? In addition to offering a broadband service speed of at least 100/20 Mbps, what specific latency, upload thresholds, and capacity are needed to support participation in the AI economy in rural areas? To what extent should the Commission require carriers to implement cybersecurity precautions and capabilities as a condition to receive funding as the Commission did with Enhanced A-CAM carriers?[51] What is the relationship between the nature and extent of conditions imposed on high-cost support recipients and the calculation methodology and/or magnitude of high-cost support providers will need in order to meet those conditions?

25. What unserved or underserved locations will remain given the commitments made under Enhanced A-CAM and BEAD? If the Commission adopts an obligation to deploy 100/20 Mbps, how should the Commission determine the number of locations to which the carrier must deploy? If we modernize existing mechanisms or establish a new mechanism, should we limit support to locations where there is no unsubsidized competitor presently offering service or a competitor with an enforceable commitment to serve, thus reducing the chance of overbuilding? For either approach, we propose to base deployment obligations on the BSL Fabric and the Broadband Data Collection. How can we ensure that those data sources are used in a way that results in deployment obligations that are predictable at the time rate-of-return carriers need to make informed participation decisions? If there are locations that the carrier will not or cannot serve, should we remove those locations from the carrier's obligations along with any corresponding support? Should there be penalties for a carrier that is unable or unwilling to serve such locations? How should our decisions in this regard be informed by the potential likelihood of, or challenges to, future service to the locations a carrier is unable or unwilling to serve?

[50] According to a recent sustainability and business cases report for rural connectivity, the Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) margins for carriers receiving high-cost support range between 29-32% depending on the operator's size. *See* NTCA, Universal Service – Sustainability and Business Cases for Rural Connectivity, at 5 (Mar. 2026), https://www.ntca.org/newsroom/press-releases/2026/11/ntca-cartesian-release-new-report-business-case-usf. Per this analysis, these margins drop to between 12-25% if support is reduced by 40%. *Id*.

[51] *See* 47 CFR § 54.308(g) (requiring Enhanced A-CAM carriers to submit and implement cybersecurity and supply chain risk management plans).

26. Are there different or additional deployment obligations the Commission should consider? In light of other federal funding, what purpose would a support mechanism with no deployment obligations serve? Similar to the offer to take Enhanced A-CAM, should legacy carriers be permitted to elect to participate in a new model-based support mechanism and relinquish any ongoing support from its existing high-cost mechanism? If so, how should such an offering be structured, e.g., term, public interest obligations, and support amounts/limits? Given the focus on improving performance incentives, should we structure the offer so that full support is only received once certain performance objectives are achieved, e.g., broadband adoption rate is at or above 70%? To the extent we are considering providing ongoing support for operating expenses, should there be other, non-deployment obligations that would accompany such support? What should those obligations be, and how would they be measured?

27. Even with the substantial amount of high-cost support made available and the private investment made by carriers, there are locations in the hardest-to-reach areas that lack access to quality, terrestrial fixed broadband service. If the Commission updates its legacy and A-CAM mechanisms or establishes a new mechanism, should the Commission exclude from future buildout obligations these cost-prohibitive locations that are not otherwise served by an unsubsidized terrestrial competitor and that do not otherwise have an enforceable commitment from another state or federal program? Should we instead rely on commercially available satellite service for such locations? How should the Commission identify such locations? Should carriers be required to make a showing that the areas are too difficult to reliably serve with fiber-based or terrestrial fixed wireless service and, if so, what kind of showing is needed? Or should the Commission simply rely on the National Broadband Map to identify such unserved locations? If LEO satellite service is available in locations that are not covered by the high-cost support recipient, should carriers relinquish a corresponding amount of support? How should the Commission calculate the amount of corresponding support?

28. *Two-Year A-CAM I Extension*. Notwithstanding the above, we seek comment on adopting a short-term A-CAM I extension through the end of 2028. This would align the terms of the three sunsetting A-CAM mechanisms so that all three will conclude at the end of 2028. The carriers would continue to receive their previously authorized annual support amount while the location adjustment process is implemented.[52]

29. As a condition of receiving this extension of support, we propose to require carriers to maintain voice and broadband service and be required to serve additional locations upon reasonable request. We note that carriers failing to meet broadband deployment obligations by the end of 2026 will have until the end of 2027 (the cure period) to meet those obligations.[53] Carriers failing to meet the A-CAM I obligations by the end of the cure period are subject to support recovery, and we seek comment on including support for 2027 and 2028 into the "carrier's total relevant high-cost support over the support term for that support area" that would be subject to recovery.[54] We note that if we include support for 2027 in the support recovery calculation, that would also apply to support recovered if the Universal Service Administrative Company (USAC) later determines in a compliance review that the carrier lacks evidence to demonstrate it fulfilled its performance obligations.[55]

30. We further propose that during the two-year extension, carriers will remain subject to quarterly network testing obligations and certifications and annual reporting requirements.[56] Given the

[52] *See Connect America Fund et al.*, Order, WC Docket No. 10-90 et al., Order, 40 FCC Rcd 281, 289, paras. 16-18 (WCB 2025).

[53] *See* 47 CFR § 54.320(d)(2).

[54] *Id*.

[55] *Id.* § 54.320(d)(3).

[56] *See* 47 CFR §§ 54.313, 54.314.

requirement to maintain service, we seek comment on specific support recovery rules for carriers failing to meet their broadband service obligations based on network testing results that are simple to understand and implement. For instance, we could apply the current network testing compliance levels to 2028 testing: (1) full compliance, no support recovery; (2) level 1, USAC would recover 25% of extension support received in 2028; (3) level 2, USAC would recover 50% of extension support received in 2028; (4) level 3, USAC would recover 75% of the extension support received in 2028; and (5) level 4, USAC would recover 100% of extension support received in 2028.[57] If we adopt an extension of A-CAM I until 2028, should we take additional measures with regard to performance or reporting obligations during the extension period? If so, what should those measures be? Commenters are encouraged to be specific about any measures the Commission should take.

B. High-Cost Support Where Robust Competition Exists or There is An Enforceable Commitment to Provide Service

31. Based on the National Broadband Map, we estimate there are approximately 3.1 million BSLs in the areas served by legacy and the relevant A-CAM rate-of-return carriers.[58] These rate-of-return carriers collectively offer voice and broadband service of at least 100/20 Mbps to 2.5 million BSLs in these areas, or 80% of the total BSLs.[59] Unsubsidized competitors, not including satellite providers, offer broadband service of at least 100/20 Mbps to 58% of the BSLs in these areas, which includes a BSL overlap of 46% with those carriers receiving high-cost support. There are about 267,000 BSLs that still do not receive broadband service of at least 100/20 Mbps—or roughly 9% of the BSLs in these areas.[60] Nearly all of these BSLs are shown on the June 30, 2025, NBM as served by a LEO satellite provider with a broadband speed of at least 100/20 Mbps. [61]

32. Separately, there has been a steady and significant downward trend in the use of end-user switched access voice lines.[62] Of the 3.1 million BSLs, legacy and relevant A-CAM carriers collectively reported almost 932,000 switched access voice lines in service as of the end of 2024.[63] About 1.4 million,

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[57] Factoring in just support received in 2028 mitigates any confusion if support for 2027 is recovered as part of the initial A-CAM I term.

[58] This amounts to about 2.7% of the total number of BSLs in the United States and its territories.

[59] *See* FCC, National Broadband Map, data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data. In NTCA's latest Broadband/Internet Availability Survey Report for 2025, its members—most of which are rural LECs—reported offering fixed broadband service at a speed of at least 100/20 Mbps to 92.7% of their customer base on average. *See* NTCA The Rural Broadband Assoc., Broadband/Internet Availability Survey Report 2025, at 2 (Dec. 2025), https://www.ntca.org/sites/default/files/documents/2025-12/2025BroadbandInternetAvailabilityReport.pdf. In the latest report on the availability of advanced telecommunications capability to all Americans, the Commission adopted a new speed "benchmark for defining advanced telecommunications capability for fixed broadband" of 100/20 Mbps, up from 25/3 Mbps. *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket No. 22-270, 2024 Section 706 Report, 39 FCC Rcd 3247, 3248, para. 2 (2025) (*2024 Section 706 Report*).

[60] Based on National Broadband Map as of June 30, 2025 and FCC Form 477 data as of June 30, 2025. *See* FCC, National Broadband Map data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data; FCC Form 477 Additional Data, https://www.fcc.gov/general/fcc-form-477-additional-data.

[61] *See* FCC, National Broadband Map, data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data. *See also supra* n. 46.

[62] *See* Voice Telephone Services: Status as of December 31, 2024, at 2-3 (OEA Feb. 2026), https://www.fcc.gov/voice-telephone-services-report (Voice Telephone Services Report) (showing the declining level of switch access lines compared to mobile telephone and interconnected VoIP subscriptions). Of the total 471 million retail voice telephone service connections in 2024, 13.3 million were switched access lines provided by incumbent LECs. *Id*.

or 43%, of these 3.1 million BSLs have fixed voice service available from an unsubsidized interconnected VoIP competitor.[64] At least one mobile provider offers voice service to about 99% of the 3.1 million BSLs in these areas.[65]

33. The Commission has long endorsed a policy that "providing support in areas of the country where another voice and broadband provider is offering high-quality service without government assistance is an inefficient use of limited universal service funds."[66] Support should instead be directed to areas where "providers would not deploy and maintain network facilities absent a USF subsidy."[67] If the Commission updates its existing mechanisms or establishes a new mechanism, should ongoing support for maintenance of existing networks and operational expenses be limited to areas where there is no unsubsidized competitor? How should the Commission weigh the presence of an unsubsidized competitor when considering how to provide high-cost support in the future? Should the Commission reevaluate the definition of an unsubsidized competitor for the purposes of ongoing high-cost support? What lessons can be drawn from the Commission's proceeding on technology transitions concerning discontinuances in which the carrier or unaffiliated providers offer alternative services through interconnected VoIP, mobile wireless, or other voice services?[68]

34. Additionally, the Commission in recent years has declined to provide high-cost support for locations where there was an enforceable commitment to provide service.[69] What is the role of high-cost support, if any, where there is already an enforceable commitment to serve locations? Should support for maintenance and operational expenses be limited to areas where there is no enforceable commitment to provide service? Should the Commission only provide support for locations that are not subject to an enforceable commitment and reduce or eliminate support for locations where there is an enforceable commitment? How should the Commission calculate support or any reduction in support?

35. *Competitive Overlap*. We seek comment on measures to prevent duplication of support

(Continued from previous page)

[63] This reflects the number of working loops reported in 2024 by the HCLS/CAF BLS carriers and A-CAM I, Revised A-CAM I, and A-CAM II support recipients on the FCC Form 507. The in service number does not include CBOLs reported by carriers. In addition, a customer, such as a business customer, for example, may subscribe to more than one line at a single BSL so the number of lines in service is greater than the number of BSLs served by the incumbent LECs.

[64] Based on National Broadband Map, data and FCC Form 477 data as of June 30, 2025. *See* FCC, National Broadband Map data as of June 30, 2025, https://broadbandmap.fcc.gov/data-download/nationwide-data; FCC Form 477 Additional Data, https://www.fcc.gov/general/fcc-form-477-additional-data. A location is considered served with Interconnected VoIP if it is served with broadband of at least 25/3 Mbps by a competitive provider that also reports VoIP service in the state.

[65] In analyzing alternative voice service offerings to incumbent LEC switched access lines, we include mobile providers affiliated with the incumbent LEC and the incumbent LEC if it provides a mobile voice service option.

[66] *USF/ICC Transformation Order*, 26 FCC Rcd at 17767, para. 281. In addition, more recently, the Commission found that Enhanced A-CAM "recipients are not required to provide broadband to locations where, in addition to voice service, there is existing 100/20 Mbps or faster broadband service using wireline or terrestrial fixed wireless technology, offered by an unsubsidized competitor." *2023 Report and Order*, 38 FCC Rcd at 7059, para. 40.

[67] *USF/ICC Transformation Order*, 26 FCC Rcd at 17767, para. 281.

[68] *See Reducing Barriers to Network Improvements and Service Changes*, WC Docket Nos. 25-208 & 25-209, Notice of Proposed Rulemaking, 40 FCC Rcd 5329, 5340, para. 26 (2025) (*Tech Transitions NPRM*). (proposing streamlined discontinuance processing if the affected service area is served by "(1) a facilities-based interconnected VoIP service; (2) a facilities-based mobile wireless service; (3) a voice service offered pursuant to an obligation from one of the Commission's modernized high-cost support programs; (4) a voice service that has been available from the applicant throughout the affected service area for the previous six months and for which the carrier has at least a certain number of existing subscribers; or (5) a widely adopted alternative voice service").

[69] *2023 Report and* Order, 38 FCC Rcd at 7055, para. 34.

where a service provider other than the legacy rate-of-return carrier is awarded funding for broadband deployment.[70] For example, section 54.319 of the Commission's rules states that CAF BLS support will be eliminated for those census blocks of an incumbent LEC study area "where an unsubsidized competitor, or combination of unsubsidized competitors . . . offer voice and broadband service meeting the public interest obligations [including offering broadband service at a speed of at least 25/3 Mbps] to at least 85 percent of residential locations in the census block."[71] The Commission adopted this rule change for CAF BLS to address the inefficiency of providing more universal support than necessary by "subsidizing a competitor to a voice and broadband provider that is offering service without government assistance."[72]

36. We seek comment on how the Commission should evaluate high-cost support in census blocks for which competitors have been awarded funding to provide broadband service or where unsubsidized competitors are operating. We propose to use the Broadband Funding Map and the National Broadband Map to identify overlap areas where there is already a provider with a funding commitment and/or an unsubsidized competitor is present. How should the Commission use this mapping data to evaluate high-cost support? As a universal service policy matter, at what level of granularity (e.g., individual BSLs) or generality (e.g., census blocks) should that assessment occur?

37. Should our determination of a competitor providing qualifying service be technology-neutral, and if so, what should that mean in practice? Should we treat the specific type of technology used as entirely irrelevant? Or should we look in some manner at the technology used to provide the services, such as whether it is provided by fiber, cable, fixed wireless, or LEO satellite? Could the particular technology used to provide service have any implications for the Commission's efforts to preserve and advance universal service through a particular high-cost mechanism?[73]

38. How closely does mapping data align with particular policy considerations that might underlie a given high-cost support mechanism, and how should that inform the use of those data? For example, should the Commission give different weight to evidence regarding providers subject to legally-enforceable obligations to provide service to particular locations than to evidence regarding unsubsidized competitors not ultimately subject to any legal duty to serve those locations? How, if at all, should the Commission account for the fact that mapping data does not include pricing information such as connection costs and recurring charges, while high-cost support historically has been used, in part, to preserve and advance reasonable comparability and affordability of rates in rural and high-cost areas?

39. How should the "snapshot" nature of mapping data be factored in to the Commission's high-cost support decisions? For example, if the Commission is undertaking to set policy for a 10- or 15-year support term, how, if at all, should that inform the use of present availability data? Are there situations where future demand might constrain the universe of BSLs that ultimately can be served with a

[70] *Id.* at 7098-7100, paras. 143-49.

[71] 47 CFR § 54.319(d).

[72] *USF/ICC Transformation Order*, 27 FCC Rcd at 17766, para. 280.

[73] For example, under the restructured BEAD program additional information was considered in order to determine whether unlicensed fixed wireless service would satisfy the relevant BEAD technical criteria in a given situation. *See, e.g.*, Dept. of Commerce, NTIA, National Telecommunications and Information Administration Broadband Equity, Access, and Deployment (BEAD) Program: BEAD Restructuring Policy Notice, Appx. A (June 6, 2025) available at https://www.ntia.gov/sites/default/files/2025-06/bead-restructuring-policy-notice.pdf ("NTIA finds that concerns regarding the reliability of [unlicensed fixed wireless] ULFW services could have been easily mitigated by implementing specialized technical requirements rather than by prohibiting their inclusion entirely in the BEAD Program. . . . Providers utilizing ULFW services must demonstrate that they have taken the steps necessary to resolve potential interference and capacity constraints associated with such technology. Specifically, ULFW applicants must demonstrate they have addressed the problems of interference from other Part 15 users competing for the same spectrum and the difficulty of evaluating ULFW network capability.").

given technology (such as technologies relying on shared resources like spectrum)? Are there situations where future technological advancements, regulatory developments, or both, might improve the geographic scope and/or quality of service that can be offered using a given technology? More generally, how should the Commission account for any changes in availability from an unsubsidized competitor as shown in the mapping data over time?

40. To what extent should the Commission provide high-cost support recipients an opportunity to dispute claims of an unsubsidized competitor before support is reduced or eliminated? Should the Commission instead rely on the existing availability challenge process provided within the Broadband Data Collection?[74] Should any reduced or eliminated support be restored if subsequent changes in mapping data show a reduced geographic scope of service availability from an unsubsidized competitor for a relevant performance level? If so, under what circumstances and what magnitude of support should be restored? How should our decisions about reducing or eliminating support, or restoring support, be informed by potential difficulties a provider might have – due to lack of geographic contiguity or otherwise – in serving the BSLs not ultimately served by the unsubsidized competitor?[75] At times the Commission has treated geographic areas as ineligible for support despite the fact that less than 100% of subscribers would be served by the unsubsidized competitor.[76] What factors should the Commission weigh when making such a policy decision and designing the associated the high-cost support mechanism?

C. Satellite Broadband Service Availability and Impact

41. There has been a rise of broadband service provided by satellite providers. As discussed previously, LEO satellite systems have emerged providing widely available low latency coverage at high speeds across America.[77] These LEO systems, such as SpaceX's Starlink and Amazon's Leo, can provide broadband service to remote and rural regions with low population densities and difficult topographies at competitive retail rates.[78] Starlink offers residential broadband service, "Residential Lite," with a stated download speed of up to 250 Mbps and an upload speed of up to 35 Mbps for $80 a month, and a "Residential" plan for $120 a month with a stated typical download speed of up to 305 Mbps and an upload speed of up to 40 Mbps.[79] In comparison, the Commission provides as much as $200 each month per location in USF support to underwrite the provision of voice and 25/3 Mbps broadband service by some legacy recipients.[80]

42. How should widely available satellite service affect the establishment of a new high-cost support mechanism? For the purposes of determining service adequacy and eligibility for high-cost support, should the Commission classify federally supported terrestrial networks such as fiber optic networks as the primary infrastructure for ensuring resilient communications to critical areas? Should we consider non-terrestrial services, while valuable as a secondary and redundant layer, as an insufficient

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[74] *See* FCC, https://www.fcc.gov/sites/default/files/bdc-challenge-overview.pdf.

[75] We note that any new rules about future high-cost funding mechanisms would not impact Enhanced A-CAM obligations, which require a recipient to deploy and serve eligible locations within its service area, regardless of difficulties a provider might have. *2023 Report and Order*, 38 FCC Rcd at 7071, para. 75.

[76] *See, e.g.*, 47 CFR § 54.319(d) (eliminating support where one or more unsubsidized competitors "offer(s) voice and broadband service meeting the public interest obligations in § 54.308(a)(2) to at least 85 percent of residential locations in the census block").

[77] CRS Report at i, 2.

[78] *See* Starlink, starlink.com; Amazon, https://www.aboutamazon.com/what-we-do/devices-services/amazon-leo.

[79] *Compare* CRS Report at 12 *with* Starlink, https://starlink.com/?srsltid=AfmBOopgVdjHRY1zm2YOvLQ4TTcCnxregjKWUN59f-7hwfcG9VKXSIOf.

[80] *See* 47 CFR § 54.302(a).

substitute for robust primary infrastructure? Would support for such secondary and redundant layers constitute "overbuilding" and a waste of federal resources? How is such treatment of satellite service consistent the Commission's technology-neutral approach to address the voice and broadband service needs of consumers? What level of capacity, and what latency, is necessary to support participation in the AI economy? What inferences, if any, should we draw from the mix of technologies, including satellite service, awarded BEAD funding?

43. If the Commission were to modernize existing mechanisms, how should the Commission consider the presence of satellite service in areas receiving support under those mechanisms? Is there a role for satellite in the most difficult and expensive to serve areas? If so, should those areas be removed from the service requirements of high-cost support recipients? Is there a concern that if terrestrial network carriers are no longer supported in these areas, satellite providers would increase their rates significantly above the reasonably comparable rates charged for similar services in urban areas? Given the economics of satellite deployment, do rates for satellite-based broadband service in rural areas exceed rates in urban areas by a significant amount? How could the Commission address such concern?

D. The Universal Service Fund's Role in the IP-Transition

44. In 2023, the Commission released a Notice of Inquiry seeking to build a record to help the Commission explore methods to ensure universally available and affordable fixed broadband services into the future, in light of section 254(c)(1)'s definition of universal service as an "evolving level of . . . service, taking into account advances in telecommunications and information technologies and services."[81] Commenters generally supported the continued funding of on-going support to sustain and maintain operations in high-cost areas.[82] NTCA suggested the "first step is to determine where a market failure exists such that ongoing support is needed, followed by a determination of the appropriate level of such support to ensure that the enduring mission of universal service is fulfilled."[83]

45. In the past, high-cost support largely sought to incrementally upgrade deployed broadband network speeds in high-cost areas. We now seek additional comment on what role, if any, the Fund can play to encourage the transition to an all-IP network environment. We also seek comment on the benefits of encouraging a transition to VoIP and an all-IP network, and on the challenges this transition may present to rural areas. Are there special challenges in remote areas supported with high cost funding, such as the ability of rural 911 systems to operate in an all-IP environment? What are the potential cost savings associated with delivering traffic in IP, including reducing maintenance, electricity, and real estate expenses? How would transitioning to an all-IP network reduce support costs? Are there costs associated with the transition to IP that carriers would need to recover? If so, how would carriers recover those costs? How could universal service funding help ensure a successful IP transition?

46. *Delete, Delete, Delete*. We seek comment on whether there are High-Cost Program rules that the Commission should consider removing. Are there rules that are no longer necessary? Which rules or statutory provisions will be affected by any changes we may make to the High-Cost Program?

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[81] *2023 NPRM*, 38 FCC Rcd at 7101, para. 154.

[82] *See, e.g.*, Alaska Telecom Assoc. Comments, WC Docket Nos. 10-90 et al., at 10 (rec. Oct. 23, 2023) ("A stable, sustained source of support is vitally important.); NTCA—The Rural Broadband Assoc. (NTCA) Comments, WC Docket Nos. 10-90 et al., at 2 (rec. Oct. 23, 2023) ("[S]ustainability support will be required to cover on-going costs of operations and maintenance (including but not limited to transit and backhaul costs) that would otherwise render service unaffordable or put at risk service quality.") (NTCA Comments); Legacy Support Rural Local Exchange Carriers Comments, WC Docket Nos. 10-90 et al., at 14 (rec. Oct. 23, 2023) (stating that "[r]ural networks will need continued support for the operation, maintenance, and replacement of equipment" as the "network access and end-user revenues in low density areas will remain insufficient to cover these costs while keeping universal services affordable.").

[83] NTCA Comments at 4-5.

Commenters are encouraged to be as specific as possible in identifying rules or statutory provisions that may be impacted.

E. Relevant Proceedings

47. All filings made in response to the questions in this Notice should be filed in WC Docket No. 26-96. The Commission has also opened a new docket – WC Docket No. 25-311, "Reforming Legacy Rules for an All-IP Future," and established WC Docket No. 25-208, "Accelerating Network Modernization" and WC Docket No. 25-209, "Reducing Barriers to Network Improvements and Service Charges."[84] We incorporate the comments filed in response to these proceedings herein by reference.

F. Cost Benefit Analysis and Other Considerations

48. *Benefits.* We seek comment on the benefits of the proposed reforms. What would be the likely benefit of reforms to A-CAM I, Revised A-CAM I, A-CAM II, CAF BLS, and HCLS? What would be the likely benefits of the three potential avenues for reform of the model-based and legacy support programs, for which comment was sought: (1) update existing legacy high-cost support mechanisms to align with the current landscape; (2) establish a new high-cost support mechanism that could replace the different legacy high-cost support mechanisms with a single, modernized mechanism; or (3) take no further action with regard to ongoing high-cost support and maintain the *status quo* for legacy support mechanisms and allow the relevant A-CAM support mechanisms to sunset? What would be the benefits of each approach for consumers, carriers, and the Fund? Would there be any benefit from reduced administrative burden if these High Cost programs are reformed? How should the Commission consider the benefits of reforms to High Cost programs that are set to expire? If funding is reformed and additional deployment obligations are required, how should the Commission measure the benefit of those additional obligations? What are the potential benefits if the Commission decides to limit support to certain areas? How should the Commission view the benefits of potential reforms given that satellite service is now widely available?

49. *Costs.* We seek comment on the likely costs of the proposed rules. Will any of the proposed reforms increase carrier compliance costs? If so, are these costs expected to be transitory or ongoing? If we phase down the high-cost mechanisms or offer carriers participation in other funding programs, would carriers be forced to incur additional costs to meet new administrative requirements of those programs? If funding is reformed and additional deployment obligations are required, how can the Commission evaluate the cost of these deployments? Additionally, what are the likely costs if funding is reduced or restricted to certain areas. If the reduction or restriction in funding causes some carriers to exit the market, what is the likelihood of this occurrence and what would be the resulting costs? We encourage commenters to provide quantitative estimates where feasible and to distinguish between one-time implementation costs and recurring compliance burdens.

50. *IP Transition and Other Issues.* To the extent that any rules we adopt in this proceeding encourage carriers to transition to a fully IP-based network, what are the potential benefits and costs of the IP transition? What would be the potential benefits, to carriers and customers, of carriers transitioning their network? What would be the potential costs?

51. *The Rural Broadband Protection Act*. On May 11, 2026, the *Rural Broadband Protection Act of 2025* (Public Law No: 119-89) (RBPA) was enacted. We invite comment on the application of the RBPA to any support mechanisms that stem from this item. If there is no direct application because these mechanisms would not be "new covered funding awards," are there principles embodied in the RBPA that could be used to help improve the future operation of these high-cost mechanisms or the support they distribute? To the extent the RBPA applies to these mechanisms, how

[84] *Wireline Competition Bureau Establishes WC Docket Nos. 25-208 and 25-209*, WC Docket Nos. 25-208 and 25-209, Public Notice, DA 25-577, at 1 (July 3, 2025).

should the specific application of the "vetting" principles be informed by processes already developed for the high-cost auctions?[85]

G. Legal Authority

52. Today we seek comment on ongoing high-cost support and existing legacy and modernized high-cost support mechanisms. Below we discuss our legal authority to initiate this proceeding and invite comment on our analysis.

53. *Section 254*. We intend to rely on our statutory authority under section 254 of the Act to modernize legacy universal service support mechanisms.[86] Section 254(d) directs the Commission to establish and maintain "specific, predictable, and sufficient mechanisms . . . to preserve and advance universal service."[87] Section 254(c) defines "universal service" as "an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services."[88] Section 254(e) further states that universal service "should be explicit and sufficient to achieve the purposes of this section."[89]

54. In establishing the services that may be supported by the Fund, the Commission must consider the extent to which telecommunications services are "(A) essential to education, public health, or public safety; (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers; (C) are being deployed in public telecommunications networks by telecommunications carriers; and (D) are consistent with the public interest, convenience, and necessity."[90] As the Supreme Court has explained, the "Act's embrace of evolution—the permission it gives the FCC to subsidize different services now than 30 years ago—ensures that the universal-service program will be of enduring utility."[91] And, "nothing in the statute limits the FCC's authority to place conditions . . . on the use of USF funds," including by imposing certain broadband requirements as the Commission did in the *USF/ICC Transformation Order*.[92]

55. Currently, voice telephony service is the telecommunications service supported by the universal support mechanisms. The service must be capable of providing "voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users;" access to emergency services; and toll limitation services to qualifying low-income consumers.[93] An ETC must offer voice telephony service to receive Federal universal service support per the Commission's rules.[94] That said, the Commission recognizes that voice telephony is simply a service that can be delivered over broadband-capable loops and thus transformed the ICLS

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[85] *See Connect America Fund Phase II Auction (Auction 903) Closes; Winning Bidders Announced; FCC Form 683 Due October 15, 2018*, AU Docket No. 17-182, WC Docket No. 10-90, Public Notice, 33 FCC Rcd 8257 (WCB and WTB 2018); *Rural Digital Opportunity Fund Phase I Auction (Auction 904) Closes; Winning Bidders Announced; FCC Form 683 Due January 29, 2021*, AU Docket No. 20-34, WC Docket 19-126, WC Docket No. 10-90, Public Notice, 35 FCC Rcd 13888 (OEA and WCB 2020).

[86] 47 U.S.C. § 254.

[87] *Id*. § 254(d).

[88] *Id*. § 254(c)(1).

[89] *Id*. § 254(e).

[90] *Id*. § 254(c)(1)(a)-(d).

[91] *FCC v. Consumers' Research*, 145 S. Ct. 2482, 2506 (2025).

[92] *In re FCC 11-161*, 753 F.3d 1015, 1046 (10th Cir. 2014).

[93] 47 CFR § 54.101.

[94] *Id*. § 54.101(b).

program into CAF BLS that allows funding for CBOLs in conjunction with the offering voice telephony service by carriers.[95]

56. As carriers continue to transition to all-IP networks, do we need to revisit our definition of the supported services for rural, insular, and high cost areas? Section 54.101 of the Commission's rules states that the eligible voice telephony service must provide "access to the public switched network or its functional equivalent."[96] Do we need to update our reference to the "public switched network" in light of the IP transition? As the Supreme Court recently recognized, universal service is an "evolving level of telecommunications services" and thus section 254's "embrace of evolution—the permission it gives the FCC to subsidize different services now than 30 years ago—ensures that the universal-service program will be of enduring utility."[97]

IV. PROCEDURAL MATTERS

57. *Ex Parte Rules*. The proceeding this Notice initiates shall be treated as a "permit-but-disclose" proceeding in accordance with the Commission's *ex parte* rules.[98] 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 rule 1.1206(b). In proceedings governed by 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.[99]

58. *Paperwork Reduction Act Analysis*. This Notice may contain proposed new and revised information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995, Public Law 104-13. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C § 3506(c)(4), we seek specific comment on how we might further reduce the information collection burden for small business concerns with fewer than 25 employees.

59. *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.

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[95] *See 2016 Rate-of-Return Reform Order*, 31 FCC Rcd at 3120, para. 86.

[96] 47 CFR § 54.101(a).

[97] *FCC v. Consumers' Research*, 145 S. Ct. at 2506.

[98] 47 CFR § 1.1206.

[99] *Id.* §§ 1.1200-1216.

60. *Regulatory Flexibility Act*. The Regulatory Flexibility Act of 1980, as amended (RFA),[100] requires that an agency prepare a regulatory flexibility analysis for notice-and-comment rulemaking proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities."[101] Accordingly, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) concerning potential rule and policy changes contained in this Notice. The IRFA is set forth in Appendix A. 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 Notice indicated on the first page of this document and must have a separate and distinct heading designating them as responses to the IRFA.

61. *Filing of Comments and Reply Comments*. Pursuant to sections 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 on the first page of this document. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS).

- *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.
    - Filings can be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service. **All filings must be addressed to 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 courier deliveries (any deliveries not by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.
    - 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.

62. *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.

63. *Contact Person*. For further information about this proceeding, please contact Nathan Eagan, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-0991 or Nathan.Eagan@fcc.gov.

V. ORDERING CLAUSES

64. Accordingly, IT IS ORDERED that pursuant to sections 1-4, 201-202, 206, 214, 218-220, and 251-254, of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. §§ 151-54, 201-202, 206, 214, 218-220, 251-254, 1302, and sections 1.1 and 1.412 of the Commission's rules, 47 CFR §§ 1.1, 1.412, the Notice of Proposed

[100] 5 U.S.C. §§ 601 *et seq*., as amended by the Small Business Regulatory Enforcement and Fairness Act (SBREFA), Pub. L. No. 104-121, 110 Stat. 847 (1996).

[101] *Id.* § 605(b).

Rulemaking hereby IS ADOPTED.[102]

65. IT IS FURTHER ORDERED that, pursuant to applicable procedures set forth in sections 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 60 days after publication in the Federal Register, and reply comments on or before 90 days after publication in the Federal Register.

66. IT IS FURTHER ORDERED that the Commission's Office of the Secretary, SHALL SEND a copy of this Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

[102] Pursuant to Executive Order 14215, 90 Fed. Reg. 10447 (Feb. 24, 2025), this regulatory action has been determined to be significant under section 3(f) of Executive Order 12866, 58 Fed. Reg. 51735 (Oct. 4, 1993).

APPENDIX A

Initial Regulatory Flexibility Analysis

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),[1] the Federal Communications Commission (Commission) has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the policies and rules proposed in the *Notice of Proposed Rulemaking* (*Notice*) assessing the possible significant economic impact on a substantial number of small entities. The Commission requests written public comments on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments specified on the first page of the *Notice*. The Commission will send a copy of the *Notice*, including this IRFA, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.[2] In addition, the *Notice* and IRFA (or summaries thereof) will be published in the Federal Register.[3]

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

2. The Universal Service Fund (USF or Fund) High-Cost Program plays a critical role in supporting connectivity in America, particularly in rural areas. The *Notice* seeks comment on potentially reforming our legacy high-cost mechanisms, i.e., the Connect America Fund Broadband Loop Support (CAF BLS) and High Cost Loop Support (HCLS) programs to more efficient fixed support mechanisms. The *Notice* also seeks comment on what next steps, if any, we should take with respect to the areas served by the soon to be ending Alternative Connect America Model (A-CAM) I, Revised A-CAM I, and A-CAM II mechanisms, including a two-year extension of the A-CAM I support mechanism past its 2026 sunset date. The *Notice* also seeks comment on the elimination of regulations that will no longer be necessary in a post time-division multiplexing (TDM) environment.

3. Specifically, the three potential avenues for reform of the model-based and legacy support programs, for which we seek comment are to: (1) update existing legacy high-cost support mechanisms to align with the current landscape; (2) establish a new high-cost support mechanism that could replace the different high-cost support mechanisms with a single, modernized mechanism; or (3) take no further action with regard to ongoing high-cost support and maintain the *status quo* for legacy support mechanisms and allow the relevant A-CAM support mechanisms to sunset.

B. Legal Basis

4. The proposed action is authorized pursuant to sections 1-4, 10, 201-202, 206, 214, 218-220, 225, 251-254, of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. §§ 151-54, 201-202, 206, 214, 218-220, 251-254, 1302, and sections 1.1 and 1.412 of the Commission's rules, 47 C.F.R. §§ 1.1, 1.412.

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

5. 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.[4] The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."[5] In addition, the

[1] 5 U.S.C. §§ 601 *et seq*., as amended by the Small Business Regulatory Enforcement and Fairness Act (SBREFA), Pub. L. No. 104-121, 110 Stat. 847 (1996).

[2] *Id.* § 603(a).

[3] *Id*.

[4] 5 U.S.C. § 603(b)(3).

[5] *Id*. § 601(6).

term "small business" has the same meaning as the term "small business concern" under the Small Business Act.[6] 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.[7] 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.[8]

6. 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.[9] In general, a small business is an independent business having fewer than 500 employees.[10] These types of small businesses represent 99.9% of all businesses in the United States, which translates to 34.75 million businesses.[11] Next, "small organizations" are not-for-profit enterprises that are independently owned and operated and not dominant their field.[12] 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.[13] Finally, "small governmental jurisdictions" are defined as cities, counties, towns, townships, villages, school districts, or special districts with populations of less than fifty thousand.[14] 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.[15]

7. The rules proposed in the *Notice* will apply to small entities in the industries identified in the chart below by their six-digit North American Industry Classification System (NAICS)[16] codes and corresponding SBA size standard.[17] Where available, we also provide

[6] *Id*. § 601(3) (incorporating by reference the definition of "small-business concern" in the Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register."

[7] 15 U.S.C. § 632.

[8] 13 CFR § 121.903.

[9] 5 U.S.C. § 601(3)-(6).

[10] *See* SBA, Office of Advocacy, *Frequently Asked Questions About Small Business* (July 23, 2024), https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business_2024-508.pdf.

[11] *Id*.

[12] 5 U.S.C. § 601(4).

[13] *See* SBA, Office of Advocacy, *Small Business Facts, Spotlight on Nonprofits* (July 2019), https://advocacy.sba.gov/2019/07/25/small-business-facts-spotlight-on-nonprofits/.

[14] 5 U.S.C. § 601(5).

[15] *See* U.S. Census Bureau, 2022 Census of Governments –Organization, https://www.census.gov/data/tables/2022/econ/gus/2022-governments.html, tables 1-11.

[16] The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. *See* www.census.gov/NAICS for further details regarding the NAICS codes identified in this chart.

additional information regarding the number of potentially affected entities in the industries identified below.

Table 1. 2022 U.S. Census Bureau Data by NAICS Code

Regulated Industry (Footnotes specify potentially affected entities within a regulated industry where applicable)	NAICS Code	SBA Size Standard	Total Firms[18]	Total Small Firms[19]	% Small Firms
Wired Telecommunications Carriers[20]	517111	1,500 employees	3,403	3,027	88.95%
Wireless Telecommunications Carriers (except Satellite)[21]	517112	1,500 employees	1,184	1,081	91.30%
All Other Telecommunications[22]	517810	$40 million	1,673	1,007	60.19%

Table 2. Telecommunications Service Provider Data

2025 Universal Service Monitoring Report Telecommunications Service Provider Data [23] (Data as of December 2024)	SBA Size Standard (1500 Employees)		
Affected Entity	Total # FCC Form 499A Filers	Small Firms	% Small Entities
Cable/Coax CLEC	69	63	91.30
CAP/CLEC	645	548	84.96
Competitive Local Exchange Carriers (CLECs)[24]	4,049	3,853	95.16

(Continued from previous page)

[17] The size standards in this chart are set forth in 13 CFR § 121.201, by six digit North American Industrial Classification System (NAICS) code.

[18] *U.S. Census Bureau*, "*Selected Sectors: Employment Size of Firms for the U.S.: 2022*." Economic Census, ECN Core Statistics Economic Census: Establishment and Firm Size Statistics for the U.S., Table EC2200SIZEEMPFIRM, 2025, *and* "*Selected Sectors: Sales, Value of Shipments, or Revenue Size of Firms for the U.S.: 2022*." Economic Census, ECN Core Statistics Economic Census: Establishment and Firm Size Statistics for the U.S., Table EC2200SIZEREVFIRM, 2025.

[19] *Id.*

[20] Affected Entities in this industry include Competitive Local Exchange Carriers (CLECs), Incumbent Local Exchange Carriers (Incumbent LECs), Interexchange Carriers (IXCs), Local Exchange Carriers (LECs), Operator Service Providers (OSPs) and Other Toll Carriers.

[21] Affected Entities in this industry include Wireless Broadband Internet Access Service Providers.

[22] Affected Entities in this industry include Internet Service Providers (Non-Broadband).

[23] Federal-State Joint Board on Universal Service, Universal Service Monitoring Report at 25, Table 1.12 (2025), https://docs.fcc.gov/public/attachments/DOC-408848A1.pdf.

[24] Affected Entities in this industry include all reporting local competitive service providers.

2025 Universal Service Monitoring Report Telecommunications Service Provider Data [23] (Data as of December 2024)	SBA Size Standard (1500 Employees)		
Affected Entity	**Total # FCC Form 499A Filers**	**Small Firms**	**% Small Entities**
Incumbent Local Exchange Carriers (Incumbent LECs)	1,175	920	78.30
Interexchange Carriers (IXCs)	112	92	82.14
Local Exchange Carriers (LECs)[25]	5,224	4,773	82.14
Operator Service Providers (OSPs)	26	24	92.31
Other Toll Carriers	72	69	95.83
Wired Telecommunications Carriers[26]	4,971	4,531	91.15
Wireless Telecommunications Carriers (except Satellite)[27]	608	522	85.86

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

8. 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.[28]

9. In the *Notice*, the Commission seeks comment on proposals that, if adopted, would improve the efficient allocation of high-cost universal service support in rural areas. Specifically, the *Notice* seeks comment on whether to update existing legacy high-cost support mechanisms to align with the current landscape, whether this new support mechanism should focus on capital or operating expenses, and what deployment and other obligations small and other carriers would have from receiving this support. The *Notice* also seeks comment on extending some support mechanisms. For example, as a condition of receiving a short-term extension of A-CAM I support through the end of 2028, the *Notice* proposes that carriers be required to maintain voice and broadband service, serve additional locations at a reasonable request, and remain subject to quarterly and annual reporting requirements. Carriers who could not meet those obligations would be subject to existing penalties for partial or non-compliance. The *Notice* also seeks comment on how to evaluate the need for high-cost support in areas where there are unsubsidized competitors or an enforceable commitment to provide service. Additionally, the *Notice* seeks comment the role of broadband service provided by satellite carriers in establishing a new high-cost support mechanism. Finally, the *Notice* requests

[25] Affected Entities in this industry include all reporting fixed local service providers (CLECs & ILECs).

[26] Local Resellers fall into another U.S. Census Bureau industry (Telecommunications Resellers) and therefore data for these providers is not included in this industry.

[27] Affected Entities in this industry include all reporting wireless carriers and service providers.

[28] 5 U.S.C. § 603(b)(4).

comment on costs of the proposed changes to the high-cost support mechanism, including whether changes may increase carriers' costs for compliance and other burdens.

10. The proposals in the *Notice* would require the Commission to update existing legacy and soon-to-be sunsetting model-based high-cost support mechanisms to align with the current landscape. The two main categories of mechanisms addressed in the *Notice*—legacy rate-of-return and sunsetting A-CAM model support—account for approximately $1.6 billion in support to carriers,[29] which if phased out or allowed to sunset, may impact small and other carriers that participate in these programs. Other proposed rules will have more minor impacts. Primarily this would require carriers to change administrative procedures. Carriers receiving or who have received support should be familiar with reporting, recordkeeping, and obligations of the existing programs, but may need to hire professionals to assist with compliance obligations associated with a new high-cost support mechanism. Before reaching its final conclusions and taking action in this proceeding, the Commission expects to review the comments filed in response to the *Notice* and more fully consider the economic impact on small entities and how any impact can be minimized.

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

11. 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.[30] 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."[31]

12. In the *Notice*, we seek comment on proposals and alternatives that we expect will minimize any significant economic impact of the proposed rules on small entities. Specifically, we invite comment on alternative approaches for high-cost support mechanisms in ways that reduce administrative burdens. The Commission will fully consider the economic impact on small entities as it evaluates the comments filed in response to this *Notice*, including comments related to the costs and benefits of these proposed rules. Alternative proposals and approaches from commenters will further develop the record and could help the Commission further minimize the economic impact on small entities. The Commission's evaluation of the comments filed in this proceeding will shape the final conclusions it reaches, the final alternatives it considers, and the actions it ultimately takes to minimize any possible economic impact the final rules may have on small entities.

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

13. None.

[29] *See* Federal-State Joint Board on Universal Service, Universal Service Monitoring Report 2025, CC Docket No. 96-45, at 46-47 (rel. Feb. 5, 2026), https://www.fcc.gov/document/2025-universal-service-monitoring-report.

[30] 5 U.S.C. § 603(c).

[31] *Id.* § 603(c)(1)-(4).

STATEMENT OF
CHAIRMAN BRENDAN CARR

Re: *Reforming the High Cost Program for an All-IP Future*, WC Docket Nos. 26-96, 10-90, Notice of Proposed Rulemaking (May 20, 2026).

The FCC's high-cost programs have played a key role in helping to close the digital divide and expand connectivity for Americans, especially in rural America. I have seen firsthand examples of how these builds can transform a community by providing next generation connectivity to homes and businesses.

In the coming months and years, some of the FCC's legacy programs are set to sunset as a matter of law and others are reaching important transition points. So now is a good time to make sure that we have a plan for those and similar programs. That way we can ensure that these programs keep pace with the times and continue to deliver for the American people.

Today's item takes an important step in that direction. So I look forward to reviewing the record and working with my colleagues and stakeholders to ensure these programs continue advancing our core mission of connecting all Americans.

Thank you to Joseph Calascione, Bryan Boyle, AJ Burton, Nathan Eagan, Lauren Garry, Jesse Jachman, Heidi Lankau, Scott Lively, Khoa Nguyen, Ed Bartholme, Peter Gingeleskie, Jonathan McCormack, and Steven Rosenberg for their great work on this item.

STATEMENT OF
COMMISSIONER ANNA M. GOMEZ

Re: *Reforming the High-Cost Program for an All-IP Future*; *Connect America Fund: A National Broadband Plan for our Future High-Cost Universal Support*, WC Docket Nos. 26-96, 10-90, Notice of Proposed Rulemaking (May 20, 2026)

Today, we open an important proceeding to ensure that our universal service policies remain equal to the moment. For decades, the High-Cost Program has helped connect Americans living in the most remote parts of the country. The communications landscape, however, has changed dramatically—both in the technologies available and in the demands placed upon modern networks.

As we look ahead, one reality is clear: participating fully in the AI-driven economy will require far more than baseline broadband. Artificial intelligence applications depend on consistent, low-latency, high-capacity connections. That means this proceeding must take a hard, evidence-based look at where non-terrestrial broadband solutions are sufficient, and where they are not.

Satellite broadband has expanded rapidly and represents an important piece of the connectivity puzzle, particularly for some of the most geographically challenging areas. But we must evaluate, with rigor, whether these services can reliably support the performance needed for advanced applications, including AI workloads, telehealth, precision agriculture, and other latency- and capacity-sensitive uses.

This NPRM asks the right questions about how to modernize legacy mechanisms, how to align federal programs, and how to avoid inefficient duplication of support. But it also recognizes that our policy decisions must rest on facts: on accurate broadband availability data, on transparent performance metrics, and on a clear understanding of what next-generation services demand from the networks that carry them.

Our goal is straightforward, to ensure that every community, regardless of geography, has access to broadband that is not only "good enough" today but resilient and robust enough to sustain economic opportunity in the AI era. I look forward to building a record that helps us meet that obligation with clarity, precision, and responsibility.

Thank you to the Chairman for working with me on edits and thank you to the Wireline Competition Bureau and the Broadband Data Task Force for your professionalism and unwavering commitment to advancing connectivity and equity through this important proceeding.

STATEMENT OF
COMMISSIONER OLIVIA TRUSTY

Re: *Reforming the High-Cost Program for an All-IP Future*, *Connect America Fund: A National Broadband Plan for our Future High-Cost Universal Support*, WC Docket Nos. 26-96, 10-90, Notice of Proposed Rulemaking (May 20, 2026).

Fifteen years ago, the FCC began requiring that high-cost universal service support be directed toward investment in modern, broadband-capable networks. The Commission recognized that doing so would help accelerate broadband deployment to unserved and underserved communities across the country. Since then, the Commission's efforts have been complemented by other federal initiatives, including BEAD, as well as state broadband deployment programs and substantial private sector investment in advanced communications infrastructure.

For decades, achieving universal broadband connectivity has been a national priority. But as networks evolve and the communications marketplace continues its transition to all-IP technologies, we must once again evaluate the future role of the Commission's high-cost support mechanisms. This assessment is particularly timely as Congress considers broader universal service reform, and as certain high-cost programs approach expiration. The issues raised by the IP transition also underscore the need to begin this conversation now.

Looking ahead, it is important that we carefully consider where support will still be needed and how it can be targeted most effectively. Only by doing so can we remain responsible stewards of universal service funds while continuing to fulfill Section 254's mandate to preserve and advance universal service.

The broad inquiry we initiate today reflects the range of important questions surrounding the future of high-cost support. How should the Commission address any remaining deployment gaps? What role should support play in helping providers manage ongoing operations and maintenance costs and ensuring reasonably comparable rates in rural areas? How should we account for the investments necessary to keep rural networks resilient and secure? And how can we help ensure that rural communities are positioned to participate fully in the opportunities presented by emerging technologies, including AI?

I look forward to working with my colleagues, Commission staff, and industry, consumer, and government stakeholders as we consider the Commission's next steps in this area. And I thank the Wireline Competition Bureau for its work on this important item.