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IN FOCUS

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The Universal Service Fund's Lifeline Program and High Cost Program: Current Regulatory Activity

Background

The Universal Service Fund (USF) was established under Section 254 of the Communications Act of 1934 (47 U.S.C. §254), as amended by the Telecommunications Act of 1996 (P.L. 104-104). The law requires the Federal Communications Commission (FCC) to ensure that telecommunications and information services are available to all Americans at just, reasonable, and affordable rates. The law also requires interstate telecommunication carriers to contribute to the advancement of universal service based on a mechanism established by the FCC. Specifically, the FCC requires these carriers to pay a percentage of their revenue at a rate, set by the FCC on a quarterly basis, called the "contribution factor."

The FCC established four programs within the Universal Service Fund (USF): the Lifeline Program, the High Cost Program, the Schools and Libraries Program, and the Rural Health Care Program. The USF programs are administered by the Universal Service Administrative Company (USAC), with oversight from the FCC. The Lifeline and High Cost Programs are the subject of active FCC rulemaking proceedings with potential implications for consumers, carriers, and federal broadband policy. This In Focus provides an overview of these two programs; selected issues, along with proposed changes raised in the proceedings; and considerations for Congress.

The Lifeline Program

The Lifeline Program provides monthly discounts on voice and broadband services for eligible low-income consumers. The discount amount is determined by the FCC. Currently, the monthly Lifeline benefit is a discount of up to $9.25 for broadband (or bundled broadband and voice service) and up to $5.25 for voice services; subscribers on tribal lands may receive a discount of up to $34.25 per month. Eligibility requires household income at or below 135% of the federal poverty guidelines or at least one individual in the household participating in a qualifying assistance program (e.g., Medicaid, Supplemental Nutrition Assistance Program). Only one benefit is allowed per household. To participate, service providers must hold an eligible telecommunications carrier (ETC) designation from state regulators or, in limited circumstances, from the FCC directly.

February 2026 Notice of Proposed Rulemaking

On February 18, 2026, the FCC adopted a notice of proposed rulemaking (NPRM) proposing what it described as "a comprehensive look at the Lifeline program." The NPRM was published in the *Federal Register* on April 3, 2026. Comments were due May 4, 2026, and reply comments were due June 2, 2026. The proceeding is under consideration by the FCC.

In the NPRM, the FCC cited program integrity and fraud prevention as primary motivations for initiating the proceeding; in particular, the agency referenced a January 2026 FCC Office of Inspector General (OIG) report finding that between 2020 and 2025, Lifeline providers in opt-out states (i.e., states that use their own databases to verify consumer eligibility) received approximately $5 million in USF dollars that were disbursed to deceased individuals and $5.5 million for duplicate enrollments. The NPRM sought comment on numerous proposed changes, including eligibility and verification, state opt-out arrangements, duplicate and address-based enrollment, and support for voice services.

The NPRM proposes limiting Lifeline benefits to U.S. citizens and immigrants with "qualified alien" status under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193). The FCC also proposes a five-year waiting period for those with "qualified alien" status before participation in the program. The FCC's stated goal is to ensure taxpayer-funded benefits are provided only to eligible recipients. Immigration advocates note that undocumented individuals are already ineligible for Lifeline under existing rules and contend that connectivity is a basic matter of public safety.

The NPRM proposes to eliminate or restrict remaining state opt-out arrangements, which would require that all states use the National Verifier. The OIG findings attributed a significant portion of payments to deceased individuals to providers operating in opt-out states that use their own verification process, which the FCC notes may create "greater opportunities for waste, fraud, and abuse." Currently, two states (Oregon and Texas) maintain their own subscriber eligibility databases and do not use the National Verifier system. An Oregon-based organization argued that the proposed change may result in the inability to keep people in need connected. Legislation has been introduced in the 119th Congress—the No Lifeline for Dead People Act (H.R. 7963/S. 3954)—that would require all states to use the National Verifier and would reverify existing enrollees.

In a comment to the FCC, the National Lifeline Association noted that service providers cannot see how many households are enrolled in Lifeline with other service providers at a single address, making duplicate detection difficult. The NPRM seeks comment on enhanced address-level controls to prevent multiple benefits flowing to what the FCC characterizes as a single household. Consumer advocates raised concerns that this approach could disproportionately affect residents of group living facilities, assisted living centers, domestic violence shelters, and multifamily housing, places where multiple legally independent households share a single mailing address.

While the FCC acknowledges that broadband service has "become more vital to current communications needs than voice service," it also found that the adoption of broadband service varies; some people may rely more heavily on voice services. The NPRM seeks comment on whether to maintain support for voice-only service. Some industry advocates contend that eliminating support for voice service may force some households to choose between voice and data and that both services are necessary.

Considerations for Congress Concerning the Lifeline Program

While the FCC takes a comprehensive look at Lifeline Program requirements, another issue for consideration is utilization of the program. Using 2024 data, the USAC estimated that approximately 37.6 million households were eligible for the program. The USAC reported that, as of March 2026, there were approximately 8.2 million subscribers to the Lifeline Program. Assuming the number of eligible households has remained relatively constant, this suggests a participation rate of roughly 22%. The Promoting Access to Broadband Act of 2026 (H.R. 8576/S. 4438) would provide grants to states to help promote awareness of and increase enrollment in the Lifeline Program. Congress could decide whether to advance this or similar legislation. Congress may consider requiring reporting from the USAC on program utilization and expenditures, including any surplus funding. If excess funding exists, Congress may consider potential uses for it (e.g., redirecting it to other USF programs, such as the 5G Fund for Rural America).

Some of the proposed changes in the NPRM (e.g., enhanced address-level controls) raise questions about potential disenrollment of currently eligible households at a time when no comparable federal broadband affordability program exists—particularly in light of the gap left by the Affordable Connectivity Program, which ended in June 2024. The $9.25 monthly benefit has not been updated since 2016 and may be insufficient to cover the actual cost of a broadband subscription in many markets, as noted by one FCC commissioner. Congress may consider increasing the subsidy each household receives. Congress could consider legislation to create a new or restore a previous broadband affordability program with a different subsidy, direct the FCC to assess actual consumer costs, or leave the Lifeline subsidy as it is.

Congress may also consider oversight of the FCC's rulemaking process, including whether the proposed immigration-related eligibility restrictions are consistent with the universal service objectives and nondiscrimination principles of Section 254.

The High Cost Program

The High Cost Program subsidizes the deployment of broadband and voice services by ETCs in areas where the costs of providing service exceed what the market would otherwise support. According to the USAC, the program encompasses over a dozen federal funding mechanisms.

May 2026 Notice of Proposed Rulemaking

On May 20, 2026, the FCC adopted an NPRM that initiates a broad review of the High Cost Program's future structure in light of four converging developments: the sunset of certain High Cost funding mechanisms beginning in 2026; the nationwide transition from legacy voice networks to internet protocol (IP) infrastructure; the federal investment in broadband buildout through the $42.45 billion Broadband Equity, Access, and Deployment (BEAD) Program; and the rapid deployment of commercial low Earth orbit (LEO) satellites to provide broadband service, particularly in rural areas. The NPRM was published in the *Federal Register* on June 5, 2026. Comments are due August 4, 2026, and reply comments are due September 3, 2026.

The FCC seeks comment on whether and how to modernize or replace certain legacy cost-based mechanisms; how the presence of competing broadband infrastructure programs or enforceable federal or state broadband funding commitments should affect High Cost Program eligibility; how increasing LEO satellite availability should factor into support determinations and ongoing deployment obligations; and how the program can most effectively support the transition away from voice networks to all-IP networks.

Considerations for Congress Concerning the High Cost Program

One of the central policy issues for the future of the High Cost Program is the emergence of LEO satellites for broadband service. According to the May 2026 NPRM, nearly all locations on the National Broadband Map are considered served by a LEO satellite provider as of June 30, 2025. Some may view the usage of this technology as a short-term solution that can provide an immediate connection until more permanent solutions (e.g., fiber) are deployed. Others may view it as a permanent solution and consider these areas served—no longer requiring High Cost broadband support. SpaceX (a LEO satellite service provider), for example, has argued this position. Policymakers may be faced with a decision as to whether the High Cost Program is still needed and, if so, what role it should play in providing support to areas currently served by LEO satellite providers.

Similarly, ensuring that providers receiving funding through the High Cost Program can successfully meet commitments is another area policymakers may wish to monitor. On May 11, 2026, President Trump signed the Rural Broadband Protection Act of 2025 (P.L. 119-89) into law, amending Section 254 of the Communications Act. The law requires the FCC to screen applicants for High Cost broadband funding before committing awards and establishes minimum financial penalties for pre-funding defaults. By requiring vetting before award, some Members of Congress have stated that the intention to ensure USF funding "goes to companies with both a proven track record of success, and who have demonstrated sound judgement in deploying in hard-to-serve areas." Under the act, the FCC must initiate a rulemaking to implement the new vetting requirements by November 2026. Congress may wish to provide oversight of this implementation.

Patricia Moloney Figliola, Specialist in Internet and Telecommunications Policy

Colby Leigh Pechtol, Specialist in Telecommunications Policy

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