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IN FOCUS

The Universal Service Fund's E-Rate Program: Overview and Current Regulatory Activity

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Introduction

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 through 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 USF: the Lifeline Program, the High Cost Program, the Schools and Libraries (E-Rate) 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 E-Rate Program is the subject of an active FCC rulemaking proceeding with potential implications for the approximately 47 million students and library patrons who rely on E-Rate-funded connectivity, as well as for the schools, libraries, and service providers that depend on the program's roughly $2.5 billion in annual subsidies. At stake are foundational questions that Congress may wish to address, such as whether a program designed for the dial-up internet era remains fit for purpose in an age of one-to-one device deployment, learning augmented by artificial intelligence, and persistent concerns about children's screen time and online safety. This In Focus provides an overview of this program, selected proposed changes raised in a June 2026 FCC proceeding, stakeholder reactions, and considerations for Congress.

E-Rate Program Overview

In 1997, the FCC established the E-Rate Program to ensure affordable access to telecommunications and internet services for eligible schools and libraries, pursuant to Section 254 of the Communications Act of 1934, as amended by P.L. 104-104. Since its inception, the E-Rate Program has provided approximately $2.5 billion to $3 billion annually in discounts to eligible applicants on two categories of eligible services: (1) broadband connectivity and telecommunications service and (2) internal connections, managed Wi-Fi, and related equipment. Discount levels range from 20% to 90%, depending on the level of economic disadvantage in the community served.

In accordance with the Children's Internet Protection Act (CIPA; P.L. 106-554, Title XVII), schools and libraries receiving E-Rate funding must adopt and enforce an internet safety policy and use technology protection measures (i.e., content filters) to block access to obscene or harmful material on computers available to minors.

June 2026 NPRM

On June 25, 2026, the FCC adopted a notice of proposed rulemaking (NPRM) and further notice of proposed rulemaking (FNPRM), hereinafter referred to collectively as "the NPRM," initiating what FCC Chairman Brendan Carr has described as a "top-to-bottom review" of the E-Rate Program. The proceeding represents one of the most comprehensive examinations of the E-Rate Program since its creation in 1997. The NPRM was published on August 14, 2026. Comments are due by October 13, 2026, and reply comments are due by November 12, 2026.

The NPRM addresses three broad subject areas pertaining to the E-Rate Program: its educational purpose and concerns regarding "screen time"; the FCC's current CIPA interpretation and online safety; and the program's scope, administration, and oversight.

Educational Purpose and Screen Time

The NPRM seeks comment on whether E-Rate-funded networks and services are being used for purposes consistent with the program's statutory mandate of supporting education.

The NPRM notes that the program was established in an era of supervised computer labs and asks whether program rules adequately account for the current environment of one-to-one device deployment in schools. In a statement accompanying the NPRM, Chairman Carr cited a 2026 advisory from the Department of Health and Human Services and the U.S. Surgeon General linking heavy screen use among children to declining academic performance, including weaker reading comprehension. Specific concerns posed in the NPRM include (1) what role, if any, the FCC should play in limiting or monitoring children's screen time in schools and libraries receiving E-Rate support and (2) whether the FCC should condition E-Rate funding on school or library policies addressing student screen use.

Several state legislatures have enacted or are considering legislation limiting classroom screen time, and some school districts have voluntarily reduced device use for younger students. The FCC's proceeding is set against this broader national policy debate.

CIPA Interpretation and Online Safety

The NPRM also invites comment on whether the FCC's "current interpretation of CIPA is the best reading of the statute." Specifically, the NPRM asks whether CIPA's content filtering requirements should apply only to school- or library-owned computers (as is currently required) or whether the FCC has authority—and should exercise it—to require filtering on any device or network accessing E-Rate-funded services.

The NPRM also asks whether existing CIPA requirements provide adequate protection for children using school and library networks and whether updates to the FCC CIPA rules are warranted considering technological changes since the statute's enactment in 2000. The FCC's current CIPA rules, last comprehensively updated in 2011, require schools and libraries to certify compliance as a condition of E-Rate funding but give institutions broad discretion over how filtering policies are implemented. The NPRM questions whether that discretion is appropriate given the shift from shared computer labs to individually assigned devices and whether the FCC should establish more specific technology protection standards. For example, although social media platforms are not categorically blocked under current CIPA rules, the NPRM seeks comment on whether the FCC should consider requiring that such sites be blocked as a condition of receiving E-Rate funding, considering "recent research on the impact of social media on children."

Program Scope, Administration, and Oversight

The NPRM asks for comment on a range of administrative and structural questions. Regarding the program's continued necessity, the NPRM asks whether the E-Rate Program should be narrowed or sunsetted, citing data that "virtually all schools report having broadband connectivity," which was the core problem the program was designed to address. The NPRM asks, "At what point should policymakers conclude that the program's core objective has been achieved?"

Regarding oversight, the NPRM proposes new registration requirements for E-Rate Program "consultants" and a prohibition on their percentage-based fee arrangements. Many schools and libraries, particularly smaller or under-resourced ones, rely on third-party consultants to navigate the program's complex application process. Under such arrangements, consultants are compensated as a share of the program funding secured for a client, which the FCC believes creates an incentive to maximize funding requests regardless of actual need.

Stakeholder Reactions to June 2026 NPRM

Stakeholder reactions to the NPRM have been sharply divided. In an ex parte filing to the FCC prior to the adoption of the NPRM, INCOMPAS, a trade association representing competitive broadband providers, contended that if schools and libraries lose E-Rate funding, they could lose their legal obligation to comply with CIPA's child safety requirements, including content filtering and internet safety policies.

The National Telecommunications and Information Administration (NTIA) issued a statement welcoming the proposed reforms to the program, with NTIA Administrator Arielle Roth noting that NTIA worked closely with the FCC on the initiative and expressing support for measures to better protect children.

Education organizations have raised significant concerns. AASA (The School Superintendents Association) characterized the proposal as aimed at "sweeping changes that would fundamentally reshape—or even dismantle—the [program]" and announced active engagement in the comment process. The Consortium for School Networking (CoSN) emphasized that E-Rate remains essential for equitable connectivity and argued that decisions regarding device use, screen time expectations, and instructional technology are best made at the local level, not by federal regulators.

Congressional Considerations

The NPRM proceeding raises several issues of potential interest to Congress. First, regarding the NPRM's discussion of E-Rate's continued necessity, Congress might consider whether the FCC would have the authority to substantially restructure or sunset the program. Congress established the E-Rate Program in statute through Section 254(h) of the Communications Act, as amended. Some commentators have argued that the FCC lacks the statutory authority to terminate the E-Rate Program.

Second, the NPRM's CIPA reinterpretation questions—whether filtering obligations should extend to personal devices on E-Rate-funded networks—may raise statutory and constitutional questions. Congress might consider whether additional statutory direction to the FCC is needed on implementing CIPA requirements for E-Rate recipients. Further, the INCOMPAS argument that sunsetting E-Rate would also eliminate CIPA's child safety obligations presents a potential trade-off of reducing a subsidy program against weakening the online safety framework that the program enforces.

Third, the questions regarding screen time and educational purpose raised in the NPRM touch on areas (e.g., curriculum, device policy, instructional standards) that have traditionally been the province of state and local governments and federal education law, raising questions about whether the FCC is the appropriate agency for resolving them or whether congressional action would better define the agency's role.

Several bills in the 119th Congress touch on related issues. Legislation addressing children's online safety and device use in schools has been introduced in both chambers, reflecting bipartisan interest in the screen time issue the NPRM highlights (H.R. 7757, S. 1748, S. 278/H.R. 7399). Separately, broader USF contribution reform legislation, which would affect the funding base from which E-Rate draws, remains pending (S. 1651/H.R. 4032).

For further reading, see CRS Report R47621, *The Universal Service Fund and Related FCC Broadband Programs: Overview and Considerations for Congress*, and CRS In Focus IF13280, *The Universal Service Fund Contribution Base: Considerations for Congress*.

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