

E-Rate Program Overview & Proposed FCC Cuts

Understanding the Universal Service Fund Broadband Subsidy and Its Critical Role in K-12 Education

Key Takeaway: Created by Congress in 1996, E-Rate provides up to 80% discounts on monthly internet utility costs for K-12 schools and libraries. A newly proposed FCC review could curtail, limit, or sunset this \$3B annual program.

1. What is E-Rate & Why is it Critical for Schools?

The E-Rate Program (officially the Schools and Libraries Program of the Universal Service Fund) was created under the Telecommunications Act of 1996. Administered by the FCC, it provides vital funding discounts to ensure public and eligible private schools and libraries can access high-speed internet.

Two Categories of Funding:

- Category One:** Covers 80 % of ongoing monthly utility costs for data transmission services and internet access. For Molalla, E-rate is covering \$68,000 annually
- Category Two:** Pays up to 80% of costs for internal broadband connections, hardware, and basic maintenance in 5-year cycles. Molalla School District currently receives about \$375,000 for network upgrades and expansions every 5 yrs.

Importance to Schools: When E-Rate was established in 1996, only 14% of U.S. classrooms had internet access. Today, connectivity is near 100%. Modern school operations rely on internet connectivity for state-mandated online exams , digital attendance, emergency bus tracking, dual-enrollment college coursework, online curriculum and remote speech therapy, ELL translation tools and occupational therapy.

2. Synopsis of the Proposed FCC Rulemaking

In mid-2026, the FCC adopted a Notice of Proposed Rulemaking (Docket 26-133) to evaluate narrowing, reorienting, or sunseting the \$3 billion annual E-Rate program. FCC Chairman Brendan Carr cited concerns over excessive student 'screen time' and aligned with broader conservative policy goals targeting federal broadband expenditures.

Key Changes Under Consideration:

- Restricting funding exclusively to remote/rural districts or placing strict caps on monthly subsidies.
- Tying funding eligibility to mandatory student screen-time limits and enhanced online safety rules.
- Increasing administrative requirements, which advocates warn could create 'death by a thousand rules'.

3. Potential Impact on Schools & Disadvantaged Communities

Area of Impact	Consequences for Districts & Students
Budget Shift	Districts will face tens of thousands in monthly out-of-pocket utility expenses, forcing cuts to staff and student support services. For Molalla, this would be an annual increase \$138,000 annually to cover Category 1 and Category 2 expenses.
Digital Divide	Rural and low-income areas with single internet providersface severe disparities.
Core Operations	Risk to online testing, specialized therapy, attendance tracking, and 21st-century curriculum access.

4. Public Comment Window & Next Steps

The FCC has opened a public comment period under ECFS Docket 26-133.

- Primary Public Comments:** Close Tuesday, **October 13, 2026**.
 - Reply Comments:** Close **November 12, 2026**.
- School administrators, educators, and community members can submit standard or express comments via the FCC ECFS portal. [https://www.fcc.gov/ecfs/filings/express?proceeding\[name\]=26-133](https://www.fcc.gov/ecfs/filings/express?proceeding[name]=26-133)