

“B” Is for Broadband: The Alarming Cost of Subsidizing Internet Access for Preschools

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KEY TAKEAWAYS

The FCC has spent a shockingly large amount of taxpayer money connecting three-year-olds to five-year-olds to the Internet through the E-Rate subsidy program.

The Biden Administration expanded its wasteful spending, and the primary beneficiaries are not students, but tech companies, telecom providers, and consultants.

The FCC should overturn E-Rate’s expansion, and Congress or DOGE should conduct a thorough audit to ensure that the program benefits children, not Big Tech.

Under the Biden Administration, the Federal Communications Commission (FCC) expanded the Education Rate (E-Rate) broadband subsidy program to provide free Wi-Fi on school buses and hotspot devices for schools and libraries to loan to students despite lacking congressional authorization.¹ This expansion wastes taxpayer money and encroaches on parents’ authority over their children’s screen use and should be ended.²

Despite the E-Rate program having spent a massive \$40 billion on broadband access over the past two decades, little scrutiny has been focused on whether the program has achieved its goals, especially as applied to the program’s youngest and most vulnerable beneficiaries—preschoolers. The E-Rate program is overdue for cuts and oversight by Congress, and perhaps the Department of

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Government Efficiency (DOGE), particularly when it comes to dubious justifications about preschool students' connectivity needs.

The FCC has spent a shockingly large amount of taxpayer money connecting three-year-olds to five-year-olds to the Internet—in some cases, it has provided more than \$20,000 per month per preschool. This amount grossly exceeds the market rate of advertised business broadband rates, which reportedly runs around \$250 to \$350 per month, raising serious concerns about the E-Rate program's integrity and susceptibility to waste, fraud, and abuse.³ It is unclear what pedagogical impact this spending has—apart from increasing Internet and screen use among children and their caregivers.

What is clear, however, is that the primary beneficiaries of E-Rate's unchecked expansion are not students, but tech companies, telecom providers, and consultants, and perhaps faculty who can now download large files and videos (educational or not) at much faster speeds. This program needs significant reform to realign with its original purpose: providing affordable telecommunications services for schools and libraries that have a justifiable need but cannot otherwise afford it, not an open-ended subsidy for the technology industry.

Background: Complexity, Mismanagement, Fraud, and Kickback Schemes

The FCC's E-Rate program funds broadband access for schools and libraries in the United States, subsidizing up to 90 percent of the cost of an applicant's Internet bill. In 2023, the FCC disbursed approximately \$2.4 billion through this program.⁴ However, the E-Rate application process is notorious for being convoluted and burdensome, involving lengthy and highly technical paperwork, specialized procurement and competitive bidding rules, confusing deadlines, and administrative delays. Because of this complexity, many schools that participate in E-Rate hire consultants to run the process for them. According to the FCC's Office of Inspector General (OIG), this has led to a cottage industry of E-Rate "consultants who extract a significant amount of money from applicants" by taking advantage of the program's complexity.⁵ In addition to benefiting from the program's bureaucratic morass, many E-Rate consultants have been involved in bribery and kickback schemes that divert funds from the program's intended beneficiaries.⁶

Indeed, over the past 25 years, the Government Accountability Office (GAO) and the OIG have repeatedly reported concerns about the program's integrity and persistent fraud risks.⁷ In 2017, the OIG reported that the FCC's ability to deter and detect fraud during the competitive-bidding

process—which determines which broadband companies will receive payments as well as the amount of such payments—has been severely limited due to a lack of controls.⁸ The OIG has also found repeated instances of fraud in E-Rate, referring millions of dollars’ worth of fraud to the Department of Justice (DOJ), which has successfully prosecuted multiple cases.

In 2023, two defendants were sentenced to prison and instructed to pay \$3.5 million in restitution for making false statements and submitting fabricated documents in a scheme to defraud the program.⁹ Also in 2023, seven defendants in New York were collectively ordered to pay almost \$4 million and sentenced to prison for defrauding E-Rate by billing the program for millions of dollars’ worth of devices and services they never provided.¹⁰ In a 2023 semi-annual report to Congress, the OIG stated that it continues to open new investigations and has been assisting the DOJ and United States Attorney’s Offices around the country to pursue civil and criminal fraud cases in the E-Rate program.¹¹

Rather than addressing these persistent problems within the E-Rate program, the Biden FCC under then-Chairwoman Jessica Rosenworcel introduced new fraud risks. Specifically, beginning in October 2023, the Biden FCC voted on a party-line basis to expand the program to fund Wi-Fi on school buses and distribute mobile hotspots for students’ off-premises use—a dramatic break from FCC precedent and the plain language of the Communications Act (which confines support to “classrooms”). In addition to creating new profiteering risks and legal concerns, the FCC has not provided evidence that children will benefit educationally and not be harmed developmentally from having “always online” access to the Internet on school buses or via mobile hotspots. The FCC has also failed to demonstrate that these services would be used predominately for homework rather than simply increasing the amount of time kids spend online—including harmful and addictive social media apps—during the day. This is particularly concerning given recent studies showing that children, particularly in younger age cohorts, are harmed by such exposure.¹²

Harm to Preschool Development from Excessive Screen Time

The preschool years are crucial for children’s development of both gross and fine motor skills. Gross motor skills, such as running and jumping, help to build physical coordination, while fine motor skills—such as drawing shapes, using utensils, and catching or throwing a ball—enhance dexterity and control.¹³ While educational television programs exist for this age group, they should not serve as the basis of a preschool education—nor should the use of tablets.

These screen-based activities are sedentary and trigger dopamine responses that encourage passive consumption rather than active play and exploration, which are essential for early development. In fact, excessive screen time may dull cognitive and linguistic development and emotional maturity.¹⁴

Preschool years are also important for developing social skills, learning how to play and interact with other kids, share toys, and problem solve. Play-based, hands-on learning should be the priority, not more individual screens. Given that Internet needs for children ages three to five are minimal, it is perplexing why broadband connectivity costs so much for preschools subsidized by taxpayers. The substantial funding allocated for broadband in preschools is concerning and warrants closer scrutiny.

E-Rate Subsidies Directed to Preschools: New York and California

The FCC's publicly available E-Rate records show payments to preschools that serve children ages five and under. Head Start schools and school districts received funding in 17 states, with New York and California—the top two states—accounting for just over half of that funding.¹⁵ Details about the total funding for Head Start schools and school districts in New York and California reveal shockingly high broadband costs.¹⁶

New York Head Start schools received the most total funding in 2023 with nearly \$702,000, and California Head Start schools received the second most with nearly \$507,000. In total, over \$1.2 million in funding went to 17 Head Start schools and school districts, as shown in Table 1. There is a wide range of monthly costs and subsidy levels.

The largest total payment from the FCC in 2023—just over \$190,000—went to Bushwick United Housing Head Start, which has eight locations in New York City. Bushwick United Housing paid for two separate broadband subscriptions with a monthly total cost that ranged from \$7,000 to \$48,000, of which the FCC reimbursed 85 percent to 90 percent. In 2023, North Coast Opportunities Head Start in northern California reported spending approximately \$21,200 per month on broadband and was reimbursed \$19,080 per month by the FCC. This premium cannot be explained by remote geography: Many of the preschools are located where broadband competition is abundant, including New York's Bushwick United Housing and Kai Ming in San Francisco. Rather, it appears that many of the preschools are paying for premium broadband services—involving dedicated lines and huge amounts of bandwidth—that are unnecessary for non-research university use and preposterous in the preschool context.

TABLE 1

2023 E-rate Funding in Head Start Schools or School Districts

SCHOOL/DISTRICT	FUNDING RECEIVED IN 2023*	MONTHLY BROADBAND COST**	DISCOUNT RATE***	MONTHLY COST PAID BY FCC****	TOTAL NUMBER OF STUDENTS
LOCATED IN NYC					
Bushwick United Housing Head Start	\$190,972	\$19,750	90%	\$17,775	660
Puerto Rican Family Institute Head Start	\$92,961	\$26,721	90%	\$24,049	153
Head Start of Rockland	\$21,161	\$15,396	90%	\$13,857	534
Hospital Clinic Home Center	\$15,413	\$1,685	90%	\$1,517	130
Sharon Baptist Head Start	\$13,811	\$387	90%	\$349	356
RUMC Staten Island Head Start	\$3,092	\$3,436	90%	\$3,092	160
LOCATED OUTSIDE OF NYC					
Cattaraugus Wyoming Project	\$185,696	\$83,833	90%	\$75,450	226
Holy Cross Head Start	\$88,551	\$81,995	90%	\$73,795	500
Warren County Head Start	\$65,736	\$34,860	90%	\$31,374	138
Lewis County Head Start	\$24,165	\$6,150	90%	\$5,535	102
LOCATED IN CALIFORNIA					
North Coast Opportunities Head Start	\$189,225	\$21,200	90%	\$19,080	263
Sierra Cascade Family Opportunities	\$90,236	\$71,242	90%	\$64,118	133
Seta Head Start	\$79,212	\$24,681	90%	\$22,213	1,400
Kai Ming Head Start	\$63,719	\$121,369	90%	\$45,513	283 (2022)
Shasta County Head Start	\$44,832	\$8,875	90%	\$7,987	317
Ecs Head Start	\$35,468	\$1,536	90%	\$1,383	1,054
All Kids Academy Head Start	\$4,271	\$2,374	90%	\$2,136	563

* This is total funding paid by the FCC to this entity in 2023. This can include one-time and monthly broadband costs over multiple years as well as payments for internal broadband connections. Amounts totaled by author.

** To the extent that reported monthly broadband costs varied, this represents the highest reported prediscount cost of an approved invoice. Some months had multiple reported costs.

*** To the extent monthly discount rates varied, this represents the highest reported discount rate.

**** To the extent that reported monthly broadband payments varied, this represents the single highest reported approved invoice amount. Some months had multiple invoices.

SOURCES: Universal Service Administrative Company, "E-rate Invoices and Authorized Disbursements (FCC Forms 472 and 474)," https://opendata.usac.org/E-Rate/E-Rate-Invoices-and-Authorized-Disbursements-FCC-F/jpiu-tj8h/data_preview (accessed March 7, 2025), and Universal Service Administrative Company, "E-Rate Recipient Details And Commitments," https://opendata.usac.org/E-Rate/E-Rate-Recipient-Details-And-Commitments/avi8-svp9/data_preview (accessed March 7, 2025).

Other preschools appear to have exorbitant outliers. Sierra Cascade Family Opportunities Inc. Head Start mostly received monthly reimbursements of less than \$1,000, but in August 2023, it received a payment, billed as monthly, of more than \$64,000 and another of more than \$15,000. Cattaraugus Wyoming Project had consistently high reimbursements rates but a broad range from \$10,415 in September 2023 at the lowest to \$75,450 in January 2023 at the highest.

These exorbitant costs may be attributable in part to E-Rate’s opaque competitive bidding rules and lack of upward limit on the subsidies a school may receive, which incentivizes schools to buy (and broadband providers to market) redundant gold-plated services. After all, given that all preschools listed in Table 1 receive a 90 percent reimbursement rate from the FCC, there is little incentive to keep costs low or to buy only what is necessary.

Consultants, Companies, and Exorbitant Costs

Notably, all but one of the Head Start programs in New York and California used paid consultants to manage their E-Rate applications. While the FCC does not require schools to disclose how much they pay these consultants, E-Rate consulting fees are often structured as a percentage—generally reported between 5 percent and 15 percent—of the funding a school receives, which creates a massive incentive to overbill the federal taxpayer.¹⁷

Applying this range to the \$190,972 awarded to Bushwick’s Head Start in 2023, its consultant could have earned between \$9,549 and \$28,646 for navigating E-Rate’s complexities on behalf of the school. When multiplied by the thousands of reimbursements handled by E-Rate consultants, it becomes clear that a multimillion-dollar cottage industry is skimming up to hundreds of millions of taxpayer dollars from the E-Rate program each year.

Further, it is not clear that these consultants or the E-Rate bidding process are optimizing benefits for the schools. The following Head Start schools that paid more than \$20,000 in a month received broadband service through companies with minimal online presence or publicly accessible information:

- Bushwick’s broadband provider is listed as Fusion Voice and Data Corp (which appears to be doing business as “Fusion Networks LLC”). Fusion’s business model involves installing its own fiber optic lines to the client and then contracting with a third-party competitor to provide an additional redundant connection.¹⁸ While these features may explain Bushwick’s high monthly costs, they seem highly unnecessary for preschool children.

- Kai Ming’s broadband provider, Chunghwa Telecom Global, Inc., is the U.S. subsidiary of Chunghwa Telecom, the largest telecommunications company in Taiwan. The company’s website shows operations in the U.S., but most of its systems are in Singapore, Hong Kong, and coastal China.¹⁹
- North Coast Opportunities’ broadband provider is named, seemingly without a sense of irony, The Cost Cutters.²⁰ According to information on its website, the company purports to reduce operating expenses for Internet, printers, and cellular service.²¹ This company does not appear to offer broadband directly. It is baffling that broadband for 263 students across 11 locations cost \$21,200 or \$80 *per student* per month for shared resources that are likely grossly underused, especially during the summer.

Conclusion

While this analysis focuses on one aspect of E-Rate—broadband subsidies for preschools—it highlights broader flaws in the program and underscores the urgent need for reform. These findings add to concerns over the program’s expansion into areas like Wi-Fi hotspots and Internet access on school buses—both of which extend telecommunications services beyond the classroom and the purpose of E-Rate.

Rather than continuing to expand E-Rate, the FCC should overturn the recent expansion, and Congress or DOGE should conduct a thorough audit to ensure that the program truly benefits children rather than serving as a vehicle for arbitrage and fraud. Research has made clear the harmful effects of excessive screen time on children. Yet, it appears that the primary beneficiaries of these substantial broadband subsidies are Big Tech companies, telecommunications providers, and consultants—not students.

Instead of pouring resources into broadband expansion for preschools, policymakers should prioritize investments that enhance in-classroom learning and reduce reliance on screens as a substitute for education for preschoolers and K–12 students alike.

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Endnotes

1. U.S. Federal Communications Commission, Public Comment by Annie Chestnut, "Addressing the Homework Gap Through the E-Rate Program," WC Docket No. 21–31, March 29, 2024, <https://www.fcc.gov/ecfs/filing/status/detail/confirmation/20240329299187286> (accessed February 12, 2025), and U.S. Federal Communications Commission, Public Comment by Annie Chestnut, "Addressing the Homework Gap Through the E-Rate Program, WC Docket No. 21–31, Report and Order and Further Notice of Proposed Rulemaking (July 18, 2024)," October 4, 2024, <https://www.fcc.gov/ecfs/filing/status/detail/confirmation/20241004301056751> (accessed February 12, 2025).
2. U.S. Federal Communications Commission, "Universal Service Monitoring Report," 2024, <https://docs.fcc.gov/public/attachments/DOC-408848A1.pdf> (accessed March 4, 2025).
3. See, for example, Danielle Braff, "Best Business Internet Providers," *U.S. News & World Report*, updated October 25, 2024, <https://www.usnews.com/360-reviews/services/internet-providers/best-business-internet-providers> (accessed March 6, 2025).
4. E-rate is one of the largest programs funded by the FCC's Universal Service Fund (USF), which raises revenues through taxes on consumers' and businesses' phone bills. According to invoice disbursement data publicly reported by the Universal Service Administration Company, which manages the USF programs, total approved disbursements were \$2.4 billion. See Universal Service Administrative Co., "Total Approved Invoice Line Amount (Sum)" within the "E-Rate Invoice Disbursements Data Lookup Tool," <https://opendata.usac.org/E-Rate/E-Rate-Invoice-Disbursements-Data-Lookup-Tool/t3vg-gfse> (accessed March 7, 2025).
5. See, for example, David Hunt, "Management and Performance Challenges," memorandum to Jessica Rosenworcel et al., October 14, 2022, https://www.fcc.gov/sites/default/files/fy22_fcc_mngt-perf_challenges_10142022.pdf (accessed March 6, 2025).
6. See, for example, U.S. Government Accountability Office, "FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program," GAO-20-606, September 16, 2020, pp. 23–27, <https://www.gao.gov/products/gao-20-606> (accessed March 6, 2025); news release, "Seven Defendants Sentenced for Defrauding Federal Program That Provided Technology Funding for Rockland County Schools," U.S. Attorney's Office for the Southern District of New York, February 28, 2023, <https://www.justice.gov/usao-sdny/pr/seven-defendants-sentenced-defrauding-federal-program-provided-technology-funding> (accessed March 6, 2025); and news release, "Two Indicted in Connection with a Scheme to Defraud the Federal E-Rate Program," U.S. Attorney's Office for the Western District of Tennessee, February 6, 2019, <https://www.justice.gov/usao-wdtn/pr/two-indicted-connection-scheme-defraud-federal-e-rate-program> (accessed March 6, 2025).
7. See, for example, U.S. Government Accountability Office, "Schools and Libraries Corporation: Actions Needed to Strengthen Program Integrity Operations Before Committing Funds," GAO/T-RCED-98-243, July 16, 1998; U.S. Government Accountability Office, "Schools and Libraries Program: Application and Invoice Review Procedures Need Strengthening," GAO-01-105, December 15, 2000; U.S. Government Accountability Office, "Telecommunications: Greater Involvement Needed by FCC in the Management and Oversight of the E-Rate Program," GAO-05-151, March 16, 2005; U.S. Government Accountability Office, "Telecommunications: FCC Should Assess the Design of the E-rate Program's Internal Control Structure," GAO-10-908, October 29, 2010; and U.S. Government Accountability Office, "Telecommunications: FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program," GAO-20-606, September 16, 2020.
8. Federal Communications Commission, Office of Inspector General, "Semiannual Report to Congress: October 1, 2016–March 31, 2017," for FY 2017, p. 13, https://transition.fcc.gov/oig/FCC_OIG_SAR_03312017.pdf (accessed March 6, 2025).
9. News release, "Kentucky Businessmen Sentenced in Decade Long Scheme to Defraud FCC," U.S. Attorney's Office for the Western District of Tennessee, June 6, 2023, <https://www.justice.gov/usao-wdtn/pr/kentucky-businessmen-sentenced-decade-long-scheme-defraud-fcc> (accessed March 6, 2025).
10. News release, "Seven Defendants Sentenced for Defrauding Federal Program That Provided Technology Funding for Rockland County Schools."
11. Federal Communications Commission, Office of Inspector General, "Semiannual Report: April 1, 2023–September 30, 2023," for FY 2023, p. 21, https://www.fcc.gov/sites/default/files/fcc_oig_sar_09302023.pdf (accessed March 6, 2025).
12. This risk is acknowledged in the FCC's Notice of Proposed Rule Making: "We further seek comment on whether there are certain school populations, such as Head Start and pre-kindergarten students, for whom the risks may outweigh the benefits of providing E-Rate support for the off-premises use of Wi-Fi hotspots and services. For example, studies show that children under the age of 5 should limit Internet access to one hour or less per day and are harmed if exposed to longer periods of use." U.S. Federal Communications Commission, "Addressing the Homework Gap Through the E-rate Program," Proposed rule, *Federal Register*, Vol. 88, No. 234 (December 7, 2023), p. 85157, <https://www.govinfo.gov/app/details/FR-2023-12-07/2023-26033> (accessed March 6, 2025).
13. The Sydney Children's Hospitals Network, "Childhood Development: Preschoolers (3–5 Years)," January 19, 2024, <https://www.schn.health.nsw.gov.au/kids-health-hub/child-development/child-development-preschoolers-3-5-years> (accessed February 12, 2025).
14. Sudheer Kumar Muppalla et al., "Effects of Excessive Screen Time on Child Development: An Updated Review and Strategies for Management," NIH National Library of Medicine, June 18, 2023, <https://pmc.ncbi.nlm.nih.gov/articles/PMC10353947/> (accessed February 12, 2025).
15. According to FCC data, just over \$2.3 million was paid to independent Head Start schools and school districts. Head Start schools service children ages five and under. This is an underestimate of the total amount of funding that went to schools that focus on children five and younger because many of these schools are reimbursed through a payment to a larger pool of schools, making it difficult or impossible to apportion the amount a preschool received.

16. Universal Service Administrative Co., “E-Rate Recipient Details and Commitments,” updated March 6, 2025, https://opendata.usac.org/E-Rate/E-Rate-Recipient-Details-And-Commitments/avi8-svp9/about_data (accessed March 6, 2025), and Universal Service Administrative Co., “E-Rate Invoice Disbursements Data Lookup Tool.”
17. For examples of the E-rate fee structure, see “2. ESD 112’s E-Rate Consortium Fee Schedule,” “Exhibit D E-Rate Fee Structure Schedule,” <https://www.esd112.org/erate/> (accessed March 6, 2025), and Technology Lab, “News & Insights: E-Rate Funding for K12 Charter Schools,” February 20, 2023, <https://www.technologylab.com/e-rate-funding-for-k12-charter-schools/#:~:text=Hiring%20a%20consultant%20is%20more,to%20us%20at%20Technology%20Lab> (accessed March 6, 2025).
18. Fusion Networks, “About Us,” <https://www.fusionnetworks.net/company/> (accessed January 30, 2025).
19. Chunghwa Telecom Global, “CHT Global Network,” map, <https://www.cht.com.tw/home/chtweb/chtg/EN/intro.html> (accessed January 30, 2025).
20. Note: North Coast is the one school in this analysis that did not report using an E-rate consultant.
21. The Cost Cutters, “E-Rate,” <https://www.thecostcutters.org/general-5> (accessed January 30, 2025).