

June 12, 2019

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St. SW
Washington, DC 20554

Re: **Ex Parte Submission**

***Modernizing the E-rate Program for Schools and Libraries -- WC Docket No. 13-184
Schools and Libraries Universal Service Support Mechanism -- CC Docket No. 02-6***

Dear Ms. Dortch:

On June 10, 2019, Cathy Cruzan and I met with FCC staff to share the preliminary results of a nationwide survey of E-rate applicants. We shared the attached presentation in five separate meetings. We met with Commissioner Jessica Rosenworcel and Travis Litman, Chief of Staff and Senior Legal Advisor for Commissioner Rosenworcel; we met with Narali Patel, Legal Advisor to Chairman Pai; we met with Jessica Susskind, Chief of Staff for Commissioner Carr; from the Office of the Managing Director, we met with Mark Stephens, Managing Director, and Cara Voth, Legal Advisor to the Managing Director; and, from the Wireline Competition Bureau, we met with D'wana Terry, Associate Bureau Chief, and the following members of the Telecommunications Access Policy Division: Ryan Palmer, Division Chief, Gabriela Gross, Deputy Division Chief, Bryan Boyle, Assistant Division Chief, Katherine Dumouchel, Special Counsel, along with Gavin Logan, Stephanie Minnock, Mark Nadel, Ikenna Ofobike, Joseph Schlingbaum, Halley Steffen, Gregory Vadas, and FCC interns Jeff Brown and Julian Moradian.

We explained our confidence that the survey responses accurately reflect the views and opinions of the overall E-rate applicant community. This conclusion is based on the number of respondents, the overall profile of the respondents, and the consistency of the response data and trends when

compared to our eight previous national surveys. A total of 1,763 individuals participated in the 2019 survey, corresponding to approximately 1-out-of-12 E-rate applicants; there were responses from applicants of every type and size, from every state and territory; and, for those survey questions that have been asked for several years in a row, the responses remained remarkably consistent. We explained in our meeting that many applicants were encouraged to participate in the survey by members of the State E-rate Coordinators' Alliance (SECA). Without their support, the survey would not have included such a broad representation of applicants. For all these reasons, we believe that the survey response data provides the FCC with the clearest, most accurate picture available to understand the overall needs and experience of E-rate applicants as of the spring of 2019.

With the survey as the basis of our presentation, we shared observations about the following four areas: the overall impact of the E-rate program, the funding application process, Category One discounts and Category Two discounts.

Overall Impact of the E-rate Program

Regarding the E-rate program in general, we explained that 94% of applicants report that E-rate funding is vital to their organization's Internet connectivity goals. 84% of applicants believe that they can depend on E-rate funding every year. This trust reflects a significant improvement in the reliability of the program to deliver support on an annual basis. Dependable E-rate support is yielding important and measurable outcomes. According to schools and libraries, because of the E-rate funding program:

- 89% of applicants have faster Internet connections to their school and library sites.
- 87% of applicants connect more students and library patrons to the Internet.
- 70% of applicants have lower prices because of the E-rate competitive bidding process.

The E-rate program is also delivering on the FCC's goals for the program as outlined in the 2014 Modernization Order:

- 91% of applicants agree that the E-rate is ensuring access to affordable broadband.
- 91% of applicants agree that the E-rate is maximizing the cost-effectiveness of their spending.
- 53% of applicants agree that the E-rate process is becoming fast, simple and efficient.

We pointed out that there has been a substantial increase in each of these measures of success since 2016. We also noted that the greatest room for improvement was in making the E-rate “fast, simple and efficient.” This area has shown significant gains over the past four years, increasing from 35% to 53% of applicants agreeing with the statement; yet, there is clearly more work to be done to fully realize the goal of a fast, simple and efficient program.

The Funding Application Process

Regarding the E-rate funding process, 89% of applicants believe that the Form 471 application took the same or less amount of time in 2019 than it did in 2018. A similar percentage, 90%, say that the process has stayed the same or improved in the three months prior to April 2019. (In fact, 34% of them hold a more favorable view of the E-rate funding process now than they did at the beginning of calendar year 2019.) The perspective of applicants during this time is significant because it corresponds directly to the Form 471 filing window, as well as the cutover period for USAC’s new application review subcontractor, Maximus. Applicants agree that one potential area of improvement would be the establishment of a fixed filing date, like the annual deadline for filing federal taxes. 49% of applicants would prefer a pre-defined closing date for the annual Form 471 filing window.

On the topic of USAC, 81% of applicants are somewhat or very satisfied with the program administrator. 80% believe that USAC cares about them a moderate amount or more. In our conversations, we explained that our previous surveys did not ask these specific questions, but, by and large, these percentages reflect a more positive view of USAC than in prior years. We also pointed out that the weekly USAC News Brief is the resource most highly rated by applicants.

Related to EPC, USAC’s online portal for E-rate forms, 91% of applicants describe the system as functioning the same or better than last year. Only 2% believe the system is worse than before. 38% label the system as easy to use, and another 37% are neutral. Only 25% describe EPC as difficult to use. This is down from 50% of applicants describing it as difficult in 2016. Although less than a majority describe the system as easy to use, it is noteworthy that 54% of applicants agree that the system is meeting their needs very well or extremely well. Taken together, these responses suggest that EPC is

not the best nor is it the worst; it is better than it was; and a growing number of applicants are able to use it to accomplish what needs to be done to secure their funding commitments.

Category One Discounts

As it relates to Category One discounts, applicants report a steady and persistent increase in their need for fast, reliable broadband connections to their school and library buildings. One-third of applicants expect their requirements for broadband to increase by 50% in the next three years. This is the fourth year in a row that applicants have forecasted this level of growth. We pointed out that the significant growth in broadband has not resulted in a corresponding increase to the funding requested. In fact, the total dollar amount requested for broadband services has been steady, and even declined somewhat. This is because faster connections are being delivered at a lower price per megabit. Better pricing for higher speed broadband is the reason that Category One funding requests have remained relatively flat; and, this, in turn, is the reason that 91% of applicants believe that the E-rate competitive bidding process is maximizing the cost-effectiveness of their purchases.

We detailed the percentages of applicants who support the eligibility of various services for Category One discounts. 100% support Internet access; 95% support self-provisioned broadband networks; 87% support high-availability Internet access using a separate “redundant” Internet connection; 75% support telephone service; and 66% support Wi-Fi on school buses.

We noted that the FCC rules currently prohibit the use of E-rate funding for high-availability Internet configurations that utilize multiple vendors. 14% of applicants currently pay the full fee for this type of connection to ensure Internet access for their students and library patrons. Another 65% of applicants would request it if it was allowed under E-rate rules. Because Internet connections are vital to schools and libraries, we remarked that it seemed odd, and contrary to the program’s mission, for the FCC to prohibit applicants from using industry-standard approaches to network design. We remarked that this prohibition leads to extra administrative burdens during the application process.

During the presentation, we highlighted the fact that 26% of applicants reported a lower price per megabit because they have the option to consider a self-provisioned network. This is remarkable

given the fact that in funding year 2019 there were only 309 applicants, or 1.4% of the total applicant pool, that submitted funding requests for a self-provisioned network. We explained that the mere potential for an applicant to pursue a self-provisioned network was, itself, a driving force in lowering the price per megabit paid for services. We also expressed our belief that removing self-provisioned networks from the eligible services list, or in any way limiting their availability to applicants, would have the opposite effect. Because self-provisioned networks have lowered prices for applicants, it stands to reason that curbing the option would have the opposite effect and would increase prices.

We described the challenge that schools and libraries face because of a lack of broadband Internet connectivity in the homes of millions of students and library patrons nationwide. 82% of E-rate applicants report that insufficient Internet access at home is a significant issue in their community. We reminded the FCC staff of the analysis conducted by Funds For Learning showing that nearly one million individuals live in low-income housing that is located within a quarter-mile of E-rate supported school and library Internet connections¹. To address this need, 83% of applicants would like to share their Internet access off-campus and are willing to do so at no extra cost to the E-rate program if the FCC would permit it. We strongly urged the FCC to reduce the Homework Gap by removing the current limitation placed on schools and libraries not to share their Internet access off-campus.

Category Two Discounts

On the topic of Category Two discounts, we provided the percentages of applicants who support the eligibility of items for Category Two discounts. 100% support Wi-Fi access points, switches and other network electronics; 97% support basic maintenance of eligible goods; 96% support network security and network management functions; 90% support managed internal broadband services, also known as managed Wi-Fi; and 87% support voice over IP telephony (VoIP) infrastructure.

Network security and management, as well as VoIP infrastructure, currently do not qualify for discounts. Furthermore, applicants are often required to cost-allocate and remove the cost associated with features that facilitate these functions. We described the necessity of having security

¹ See *E-rate Can Help Close Home Gap*, <https://www.fundsforlearning.com/blog/2016/11/e-rate-can-help-close-homework-gap>

and management functions to keep networks up and running. We also explained that many applicants hope to transition to VoIP communications because it is more cost-effective, but they are currently hindered by the E-rate program's lack of support for the purchase of VoIP infrastructure.

We announced that 98% of applicants describe Wi-Fi as very important or extremely important to fulfilling their organization's mission. 18% of them expect to upgrade their Wi-Fi within a year, and another 57% expect to upgrade their Wi-Fi within one-to-three years. In total, 75% of applicants anticipate upgrading their Wi-Fi by 2022.

We expressed the broad support that exists among applicants for improvements to the Category Two budget system. 93% of them favor a district-level or library system-level budget. This would be a change from the current site-by-site system. We also discussed the Category Two budget amounts:

- Among schools, 78% indicate that a higher per student budget cap is necessary. Nearly half of schools (49%) report that a \$250 per student budget cap would meet their needs.
- Among libraries, 63% indicate that a higher per square foot budget cap is necessary.

We strongly encouraged the FCC to take steps to increase the Category Two budget caps, reminding them that Wi-Fi is important to schools and libraries and that there is adequate room to support a higher cap within the E-rate program's annual \$4 billion maximum budget.

Respectfully submitted,

/s/ John D. Harrington

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cc: Commissioner Jessica Rosenworcel

Narali Patel, Legal Advisor to Chairman Pai

Jamie Susskind, Chief of Staff for Commissioner Carr

Mark Stephens, Managing Director of the FCC

D'wana Terry, Associate Bureau Chief, Wireline Competition Bureau (WCB)

Ryan Palmer, Division Chief, Telecommunications Access Policy Division (TAPD), WCB

Gabriela Gross, Deputy Division Chief, TAPD, WCB

Attachment: *2019 Nationwide Survey of E-rate Applicants, Preliminary Results, June 10, 2019*

2019 Nationwide Survey of E-rate Applicants

Preliminary Results

June 10, 2019

Survey Statistics

- Conducted April 2, 2019 – May 3, 2019
- 1,763 respondents
- 1 out of every 12 applicants participated (8.2%)
 - Every state and territory represented
 - All applicant types and sizes
- Full report to be published end of June, 2019

Key findings (1 of 2)

- About the E-rate program
 - Schools and libraries rely on E-rate funding
 - Measures indicate success of the E-rate program
 - E-rate Program is meeting the FCC's goals
- About the process
 - 90% Say Process Same or Better Past 3 Months
 - 80% of Applicants View USAC Positively
 - Perceptions of EPC Improving Significantly

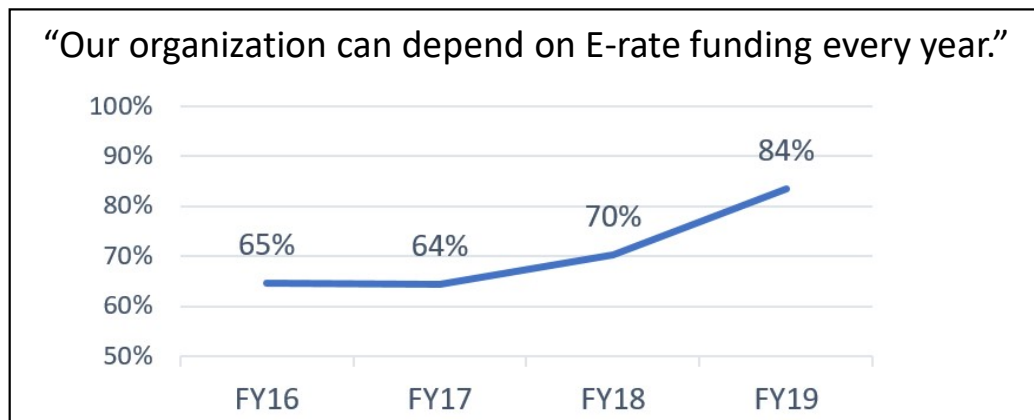
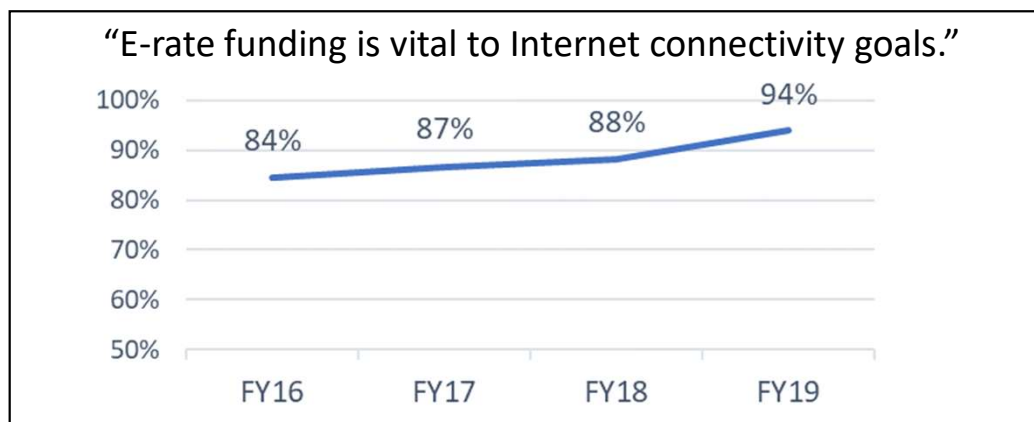
Key findings (2 of 2)

- About Category One discounts
 - Broadband growth shows no sign of slowing
 - High number of applicants want option for dual and self-provisioned Internet
 - Homework Gap significantly impacts 82% of applicants
- About Category Two discounts
 - Crucial Wi-Fi Upgrades for 75% of applicants by 2022
 - Strong Support for Category 2 Improvements

Survey Results

About E-rate Funding

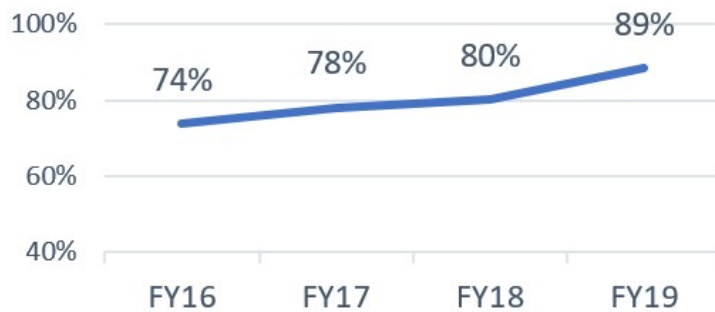
Schools and Libraries Rely on E-rate Funding



- E-rate support is mission critical (94% of applicants)
- Schools and libraries can depend on E-rate support (84% of applicants)
- Need for Internet access is growing... and so is trust in the E-rate program

Measures indicate success of the E-rate Program

We have faster internet connections to our site(s)

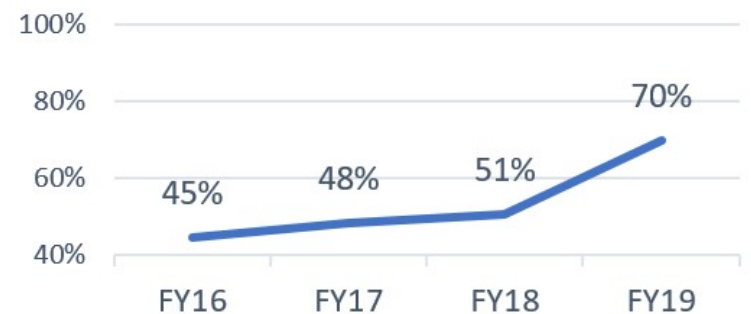


- Faster Internet (89%)
- More patrons online (87%)
- Lower prices (70%)

Connect more students & library patrons to Internet



E-rate competitive bidding process lowers prices



E-rate Program is Meeting the FCC's Goals

Ensuring access to affordable broadband



- Affordable broadband
(91% of applicants; +17% points)
- Cost-effective spending
(91% of applicants; +30 points)
- Efficient process
(53% of applicants; +18 points)

Maximizing the cost-effectiveness of spending



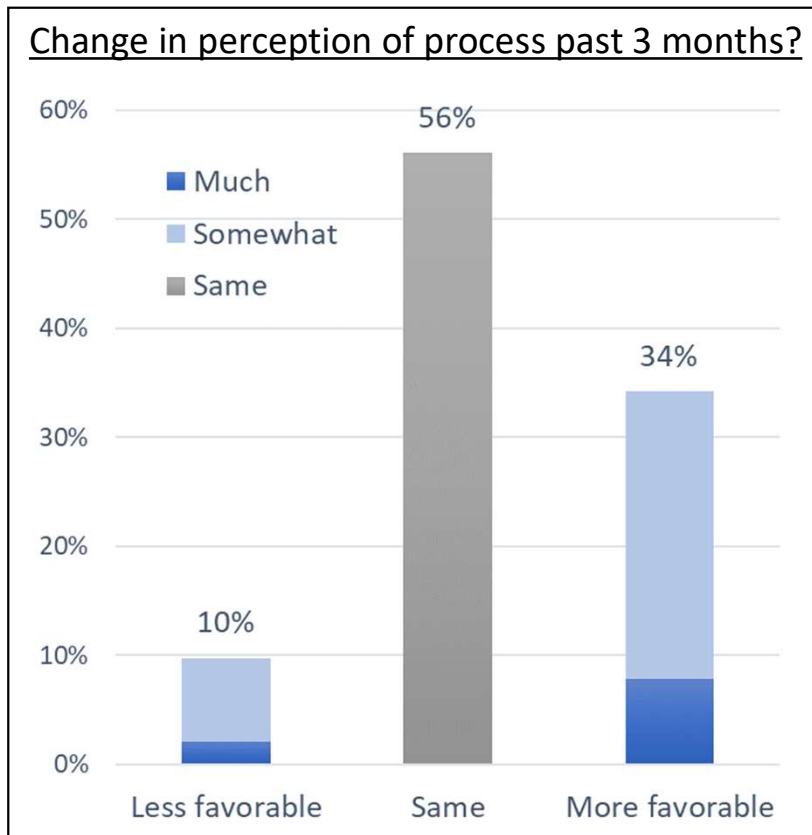
Making the E-rate process fast, simple, and efficient.



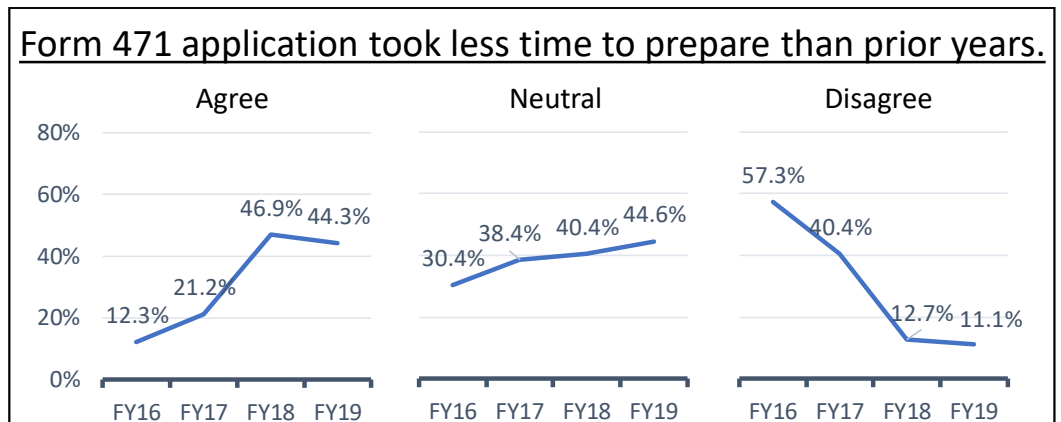
Survey Results

The Process, USAC and EPC

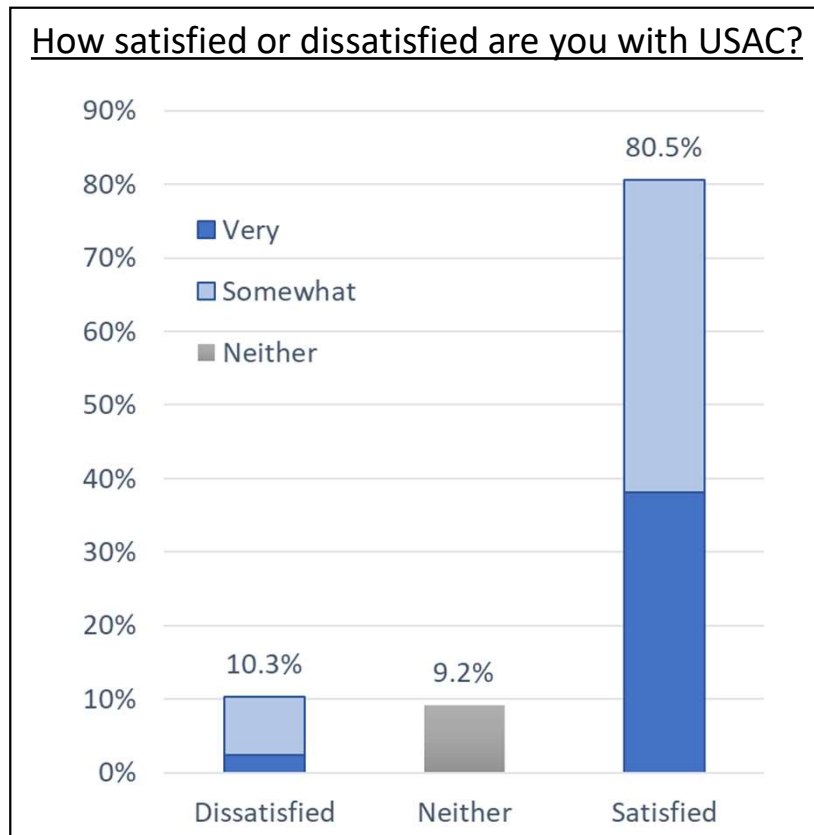
90% Say Process Same or Better Past 3 Months



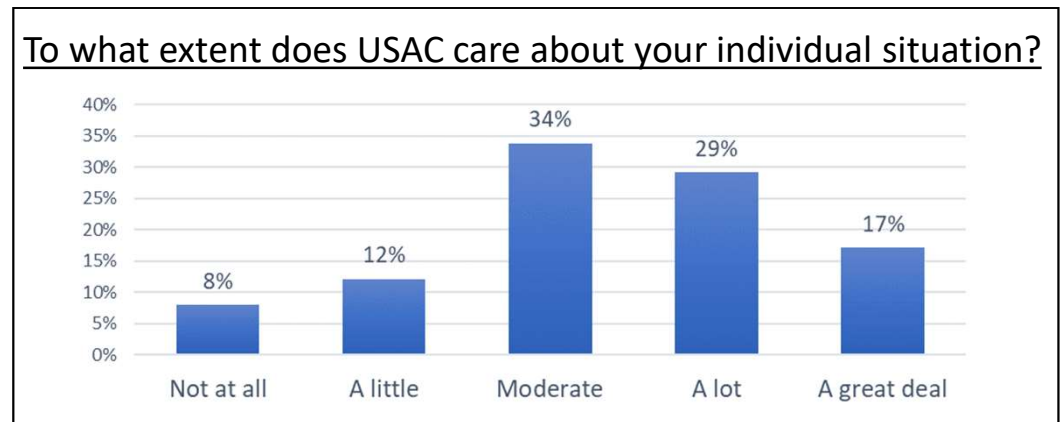
- 90% say process same or better
- 89% say Form 471 took same or less amount of time in 2019
- 49% want set filing window date



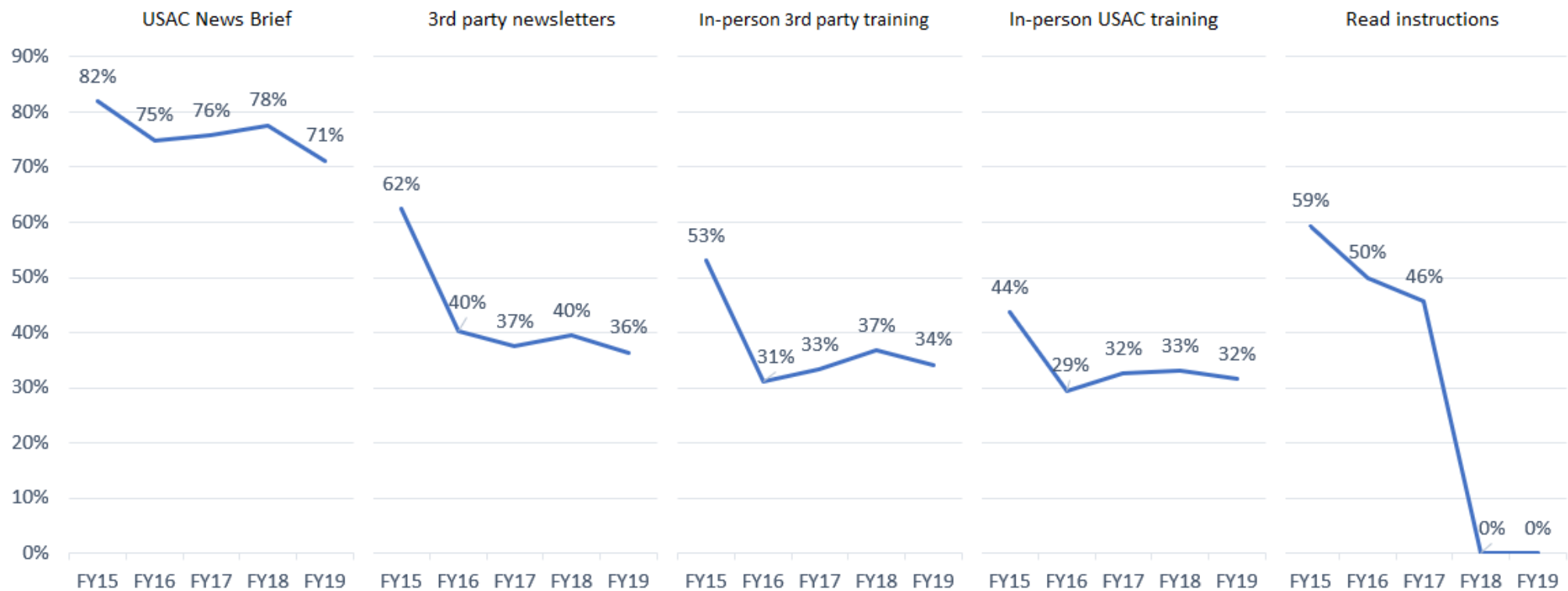
80% of Applicants View USAC Positively



- 81% satisfied with USAC
- 80% believe USAC cares (a moderate amount, a lot, or great deal)

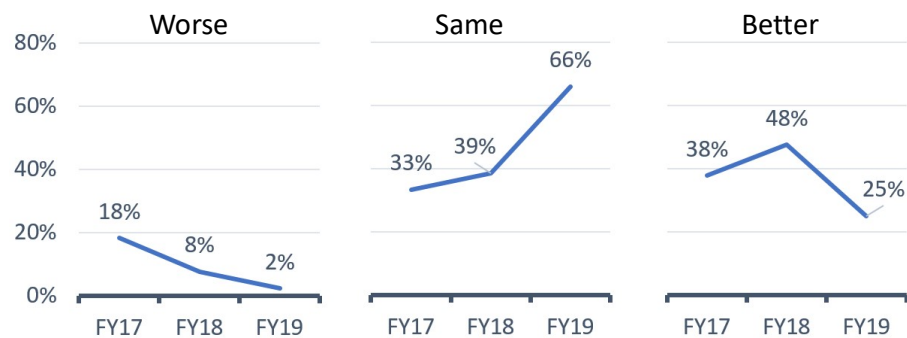


How do you stay up to date on program rule and process changes?



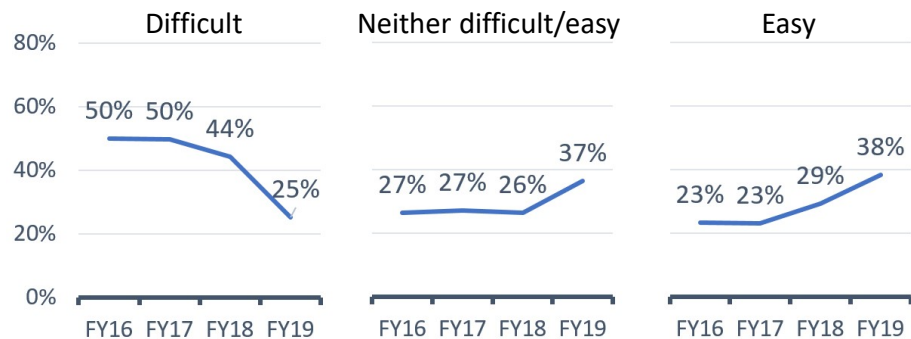
Perceptions of EPC Improving Significantly

How would you describe EPC this year compared to last?

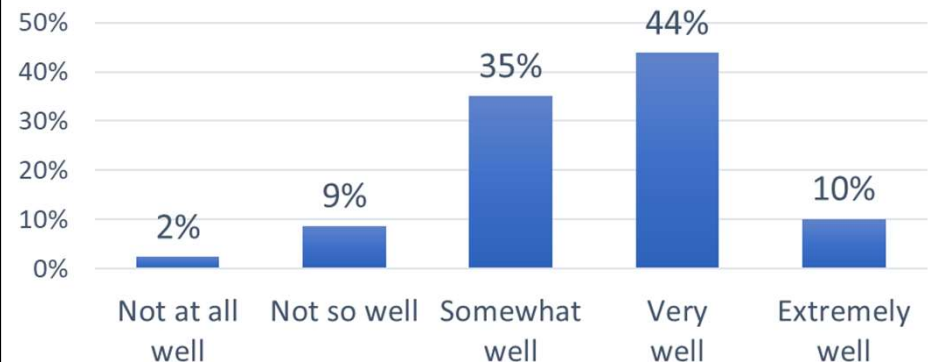


- 91%: EPC same or better
- 75%: EPC not difficult to use
- 54%: EPC meets their needs very well or extremely well

How would you rate EPC in terms of overall ease of use?



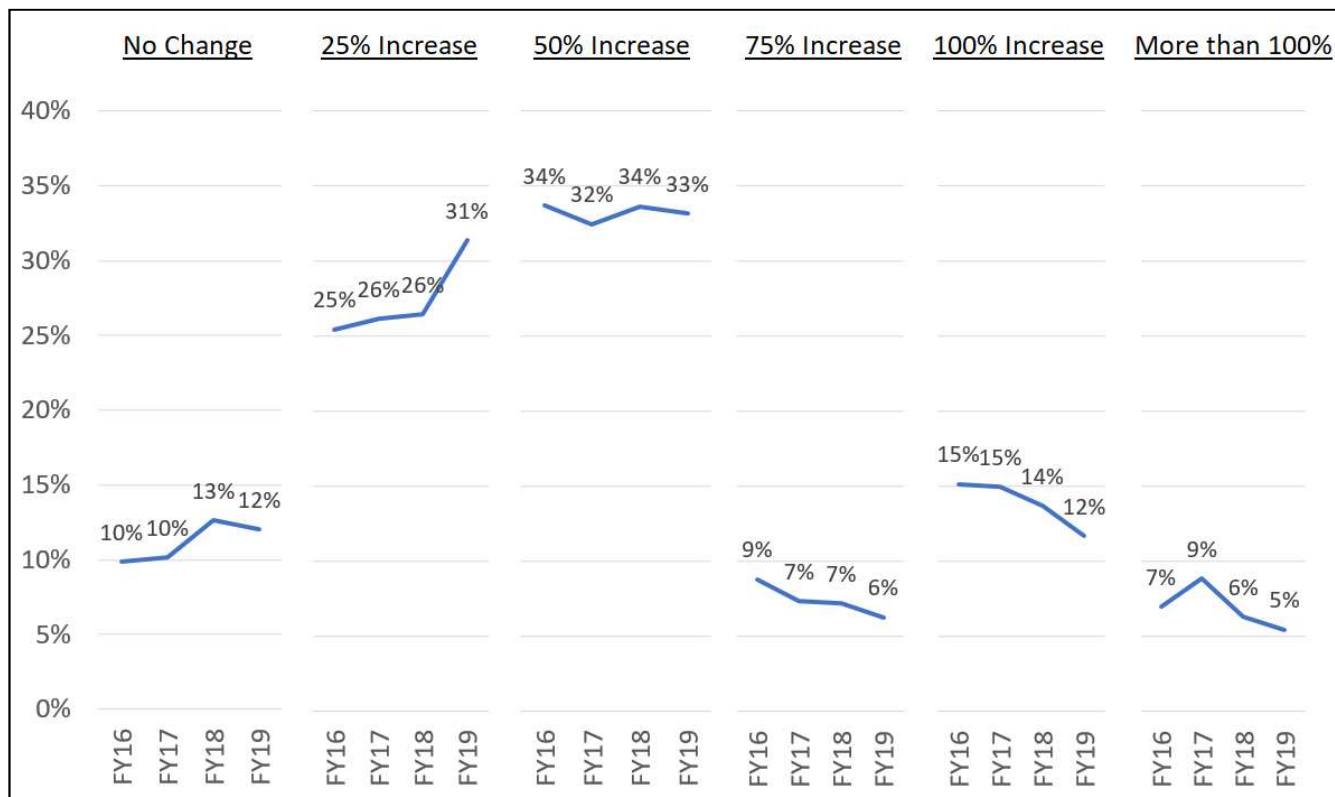
Overall, how well does EPC meet your needs?



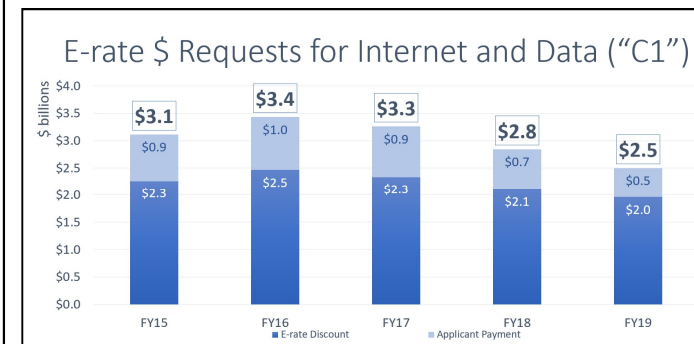
Survey Results

Category One Discounts

Broadband growth shows no sign of slowing



- Steady increase in need for Internet bandwidth
- One-third expect a 50% increase over 3 years
- 471s reflect similar growth
- Yet, better pricing has driven down \$ requested



6/10/2019

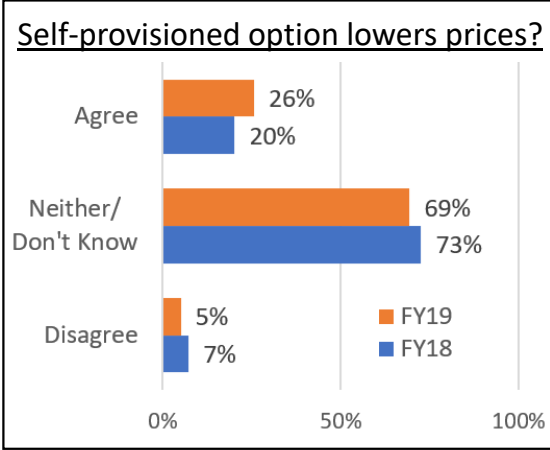
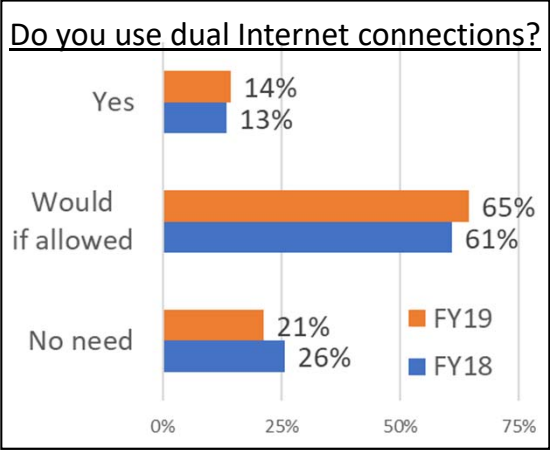
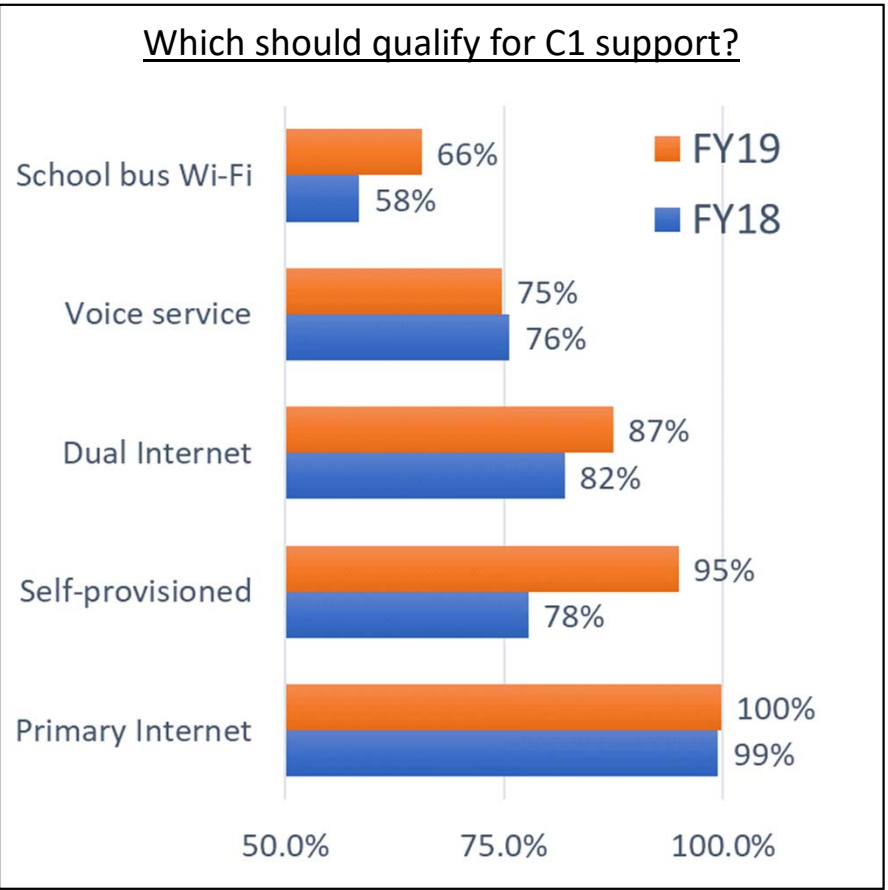
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2019 National Applicant Survey Results
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High Percentage Want Dual and Self-Provisioned Internet

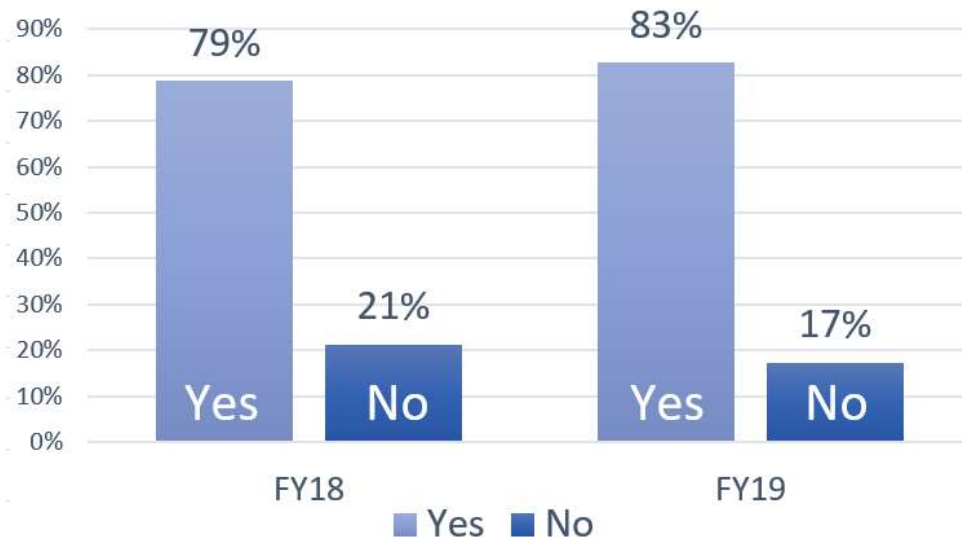
% of applicants that support eligibility:

- 100%: primary Internet
- 95%: self-provisioned (lower price per megabit for 26%)
- 87%: dual Internet (79% would purchase)
- 75%: voice services
- 66%: school bus Wi-Fi

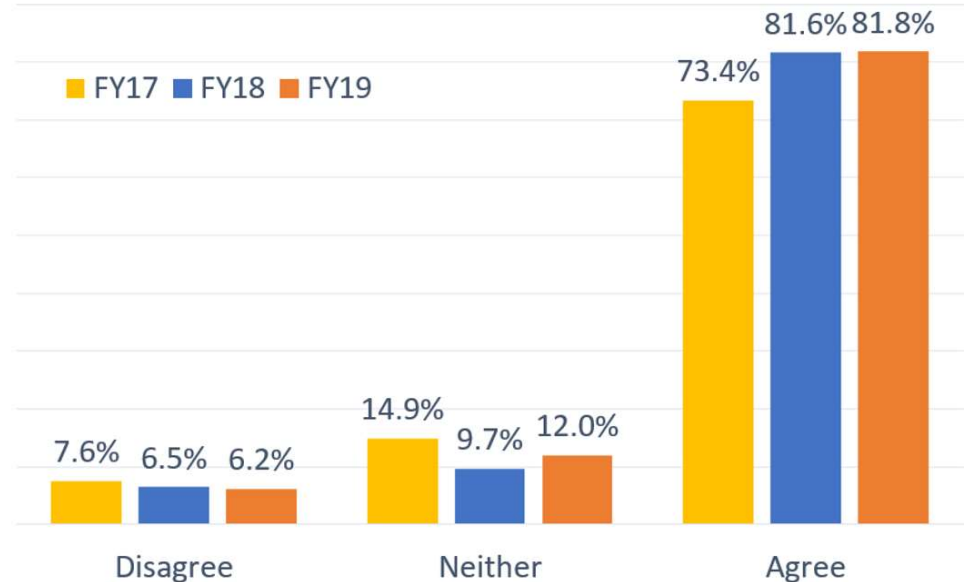


Homework Gap impacts 82% of applicants

If permitted to share Internet access off-campus at no extra cost to E-rate program, would you?



Insufficient Internet access to home of students or library patrons is a significant issue in community.

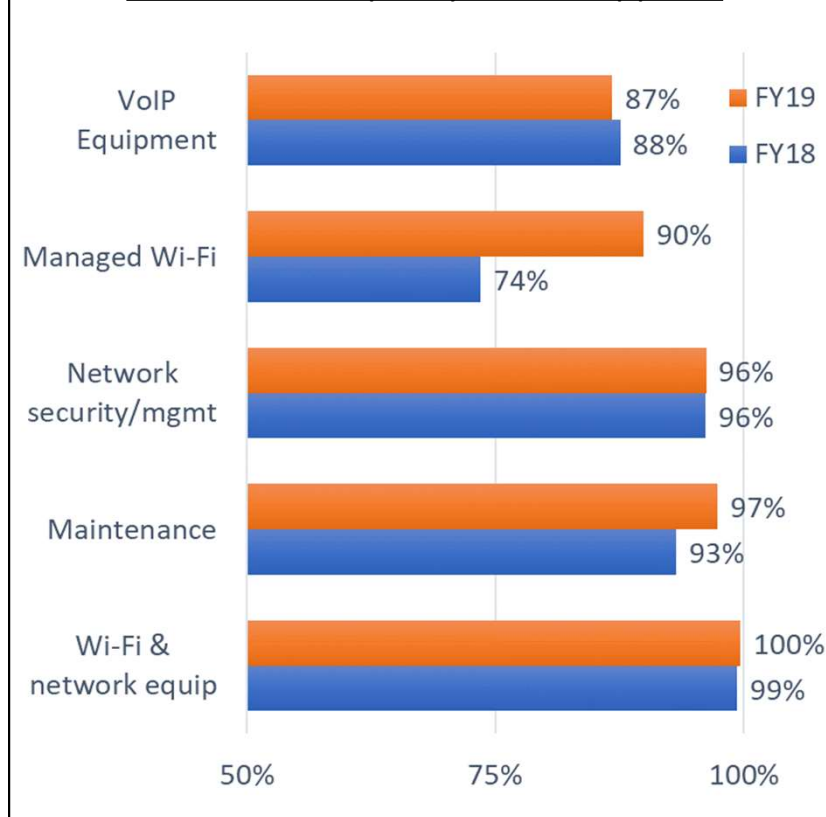


Survey Results

Category Two Discounts

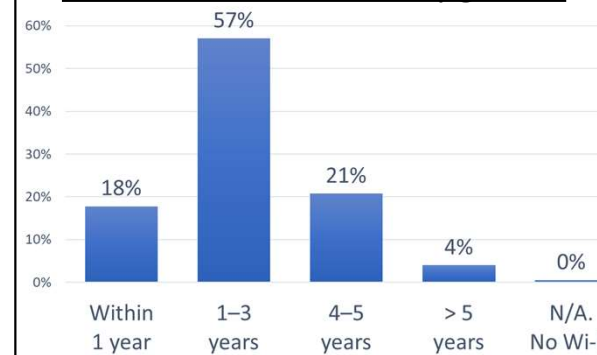
Crucial Wi-Fi Upgrades for 75% of applicants by 2022

Which should qualify for C2 support?

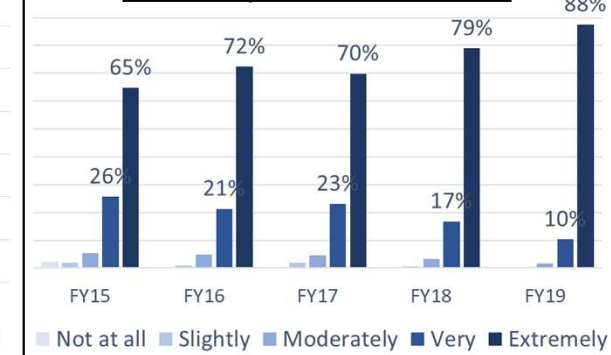


- High % request new options for C2
 - 96%: Network security & management
 - 88%: VoIP equipment (to migrate POTS)
- 98%: Wi-Fi very/extremely important
- 75%: Need to upgrade Wi-fi by 2022

When will Wi-Fi need upgrade?

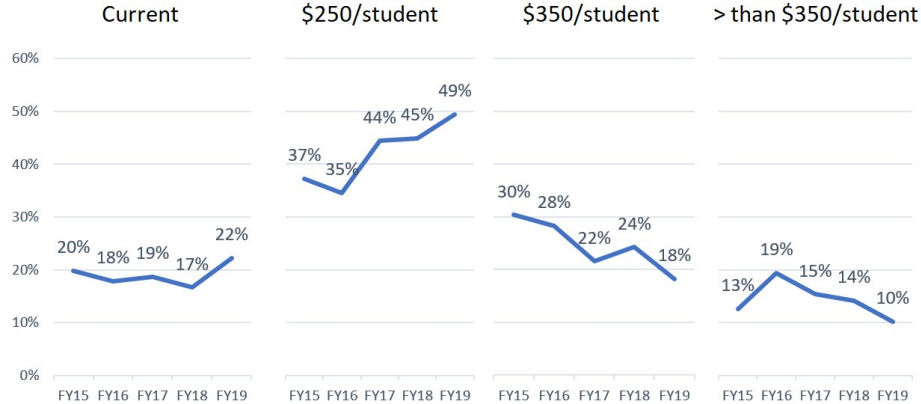


How important is Wi-Fi?



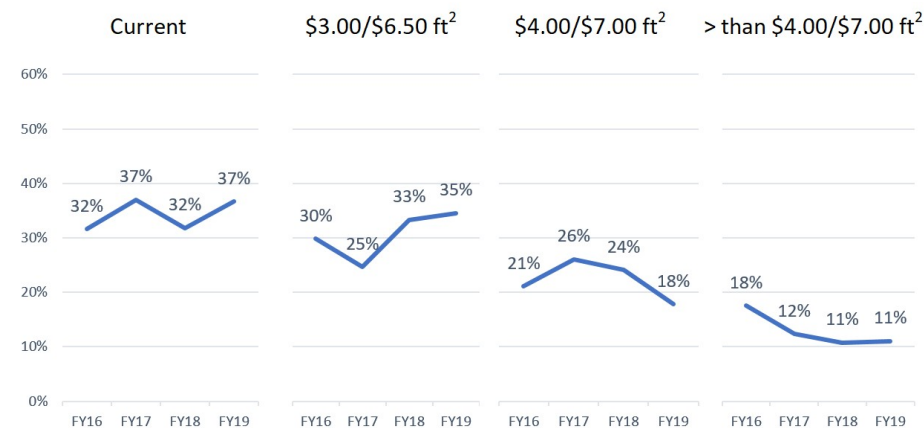
Strong Support for Category 2 Improvements

How much would you need to fully fund your Category 2 needs? (School)



- 93% favor applicant C2 budget (as opposed to current building-level)
- 78% schools need higher budget
- 63% libraries need higher budget

How much would you need to fully fund your Category 2 needs? (Library)



% of applicants that support applicant-level budget

