

June 20, 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
Universal Service Contribution Methodology -- WC Docket No. 06-122***

Dear Ms. Dortch:

On June 18, 2019, Peter Kaplan and I met with Arielle Roth, Legal Advisor for Commissioner O’Rielly, to share the preliminary results of a nationwide survey of E-rate applicants¹. We also discussed the Notice of Proposed Rulemaking to establish a master cap on the Universal Service Fund, as well as a petition by Texas Carriers’ to change the E-rate competitive bidding rules for fiber networks.

REGARDING THE SURVEY

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. For all

¹ See attached presentation.

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.

Survey Results: 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 schools 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 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.

Survey Results: 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.

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 conversation, 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.

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.

We offered our view that Chairman Pai's pick to lead USAC, Radha Sekar, was the driving force behind the improved perception of USAC and the enhancements to the EPC user experience. We commended the Chairman's choice and shared our observation that USAC was on a healthier and more productive trajectory, offering better service and support to E-rate applicants.

Survey Results: 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 schools 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.

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.

Finally, as it relates to Category One services, we described the challenge that applicants 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. A similar percentage would like to reduce this Homework Gap by sharing their Internet access with the community and would do so at no additional cost to the E-rate program if the rules allowed it.

Survey Results: 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 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. We also urged the FCC to expand Category Two support to all I.T. infrastructure, including network security appliances, management tools and VoIP switching equipment.

REGARDING THE USF CAP

In our conversation, we discussed the proposed master cap for the Universal Service Fund. We recognize that the E-rate program is subject to funding limitations. These limitations currently are addressed by the program's overall cap of about \$4 billion. We believe the best and most effective way to cap the E-rate program is to continue using the current system. We expressed our concern that a new master cap of the four USF programs would lead to additional layers of bureaucracy, resulting in delays and uncertainty for the E-rate program, without adding any new value.

To effectively utilize broadband services, applicants need to know the level of support they can expect to receive, and they need to receive that support in a timely manner. We described our concern that a master cap would require the FCC to tally the demand across all USF programs before setting funding levels and/or potentially reducing funding commitment amounts. This would not be good for applicants or for the administration of the USF. The challenges associated with delayed funding commitments are well-documented in the FCC's docket. In fact, Chairman Pai, himself, has weighed in on the importance of timely E-rate funding commitments on several occasions². A master cap would undo the progress that has been made to improve the timing of funding decisions. Therefore,

² For example, see <https://www.fundsforlearning.com/news/2017/04/usac-told-to-fix-flaws-focus-on-service>

the best approach for the FCC to follow is the one that has been used successfully since the inception of the E-rate program: set and keep a fixed annual budget cap for the Schools and Libraries program.

REGARDING THE TEXAS CARRIERS

In our meeting, we also discussed the recent *Texas Carriers* petition to change the competitive bidding rules for fiber networks. We reiterated that there were only 309 applicants in 2019 who requested discounts for self-provisioned networks and that the total amount requested was \$60.1 million. We again emphasized that 26% of applicants believe that the option to pursue self-provisioned fiber had lowered their price per megabit -- a drop that is supported by the funding request data itself.

We highlighted the fact that a high percentage of applicants believe the current E-rate competitive bidding rules are lowering their expenses. Applicants certify that they have selected the most cost-effective solution; they are required to consider the price of eligible goods above any other evaluation factor; and, finally, they must follow all state and local competitive bidding rules. We believe these requirements sufficiently protect the public interest. On the other hand, if the FCC were to require applicants to use an incumbent carrier, it would likely violate one or more of the current rules and may require a waiver of the FCC regulations and/or local competitive bidding requirements.

Respectfully submitted,

/s/ John D. Harrington

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cc: Arielle Roth

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

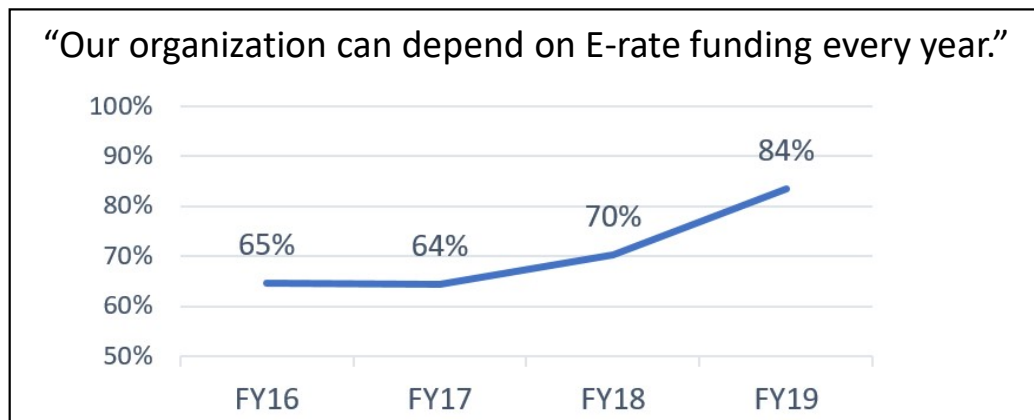
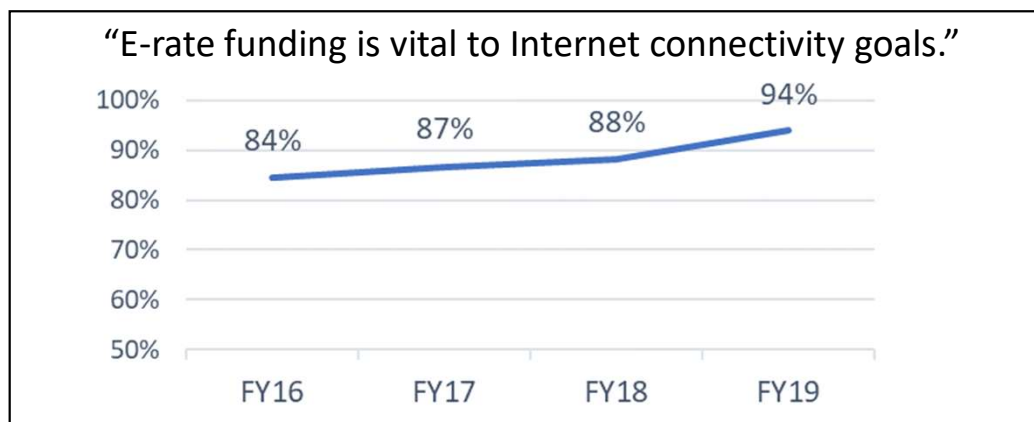
Key findings (2 of 2)

- 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

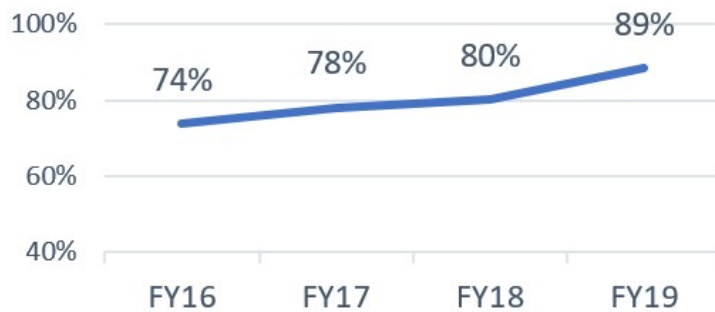
Schools and Libraries Rely on E-rate Funding



- 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)

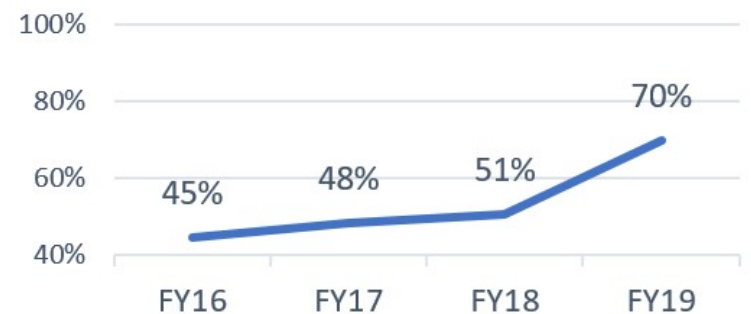


- Faster Internet (89%)
- More patrons online (87%)
- Lower prices (70%)

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



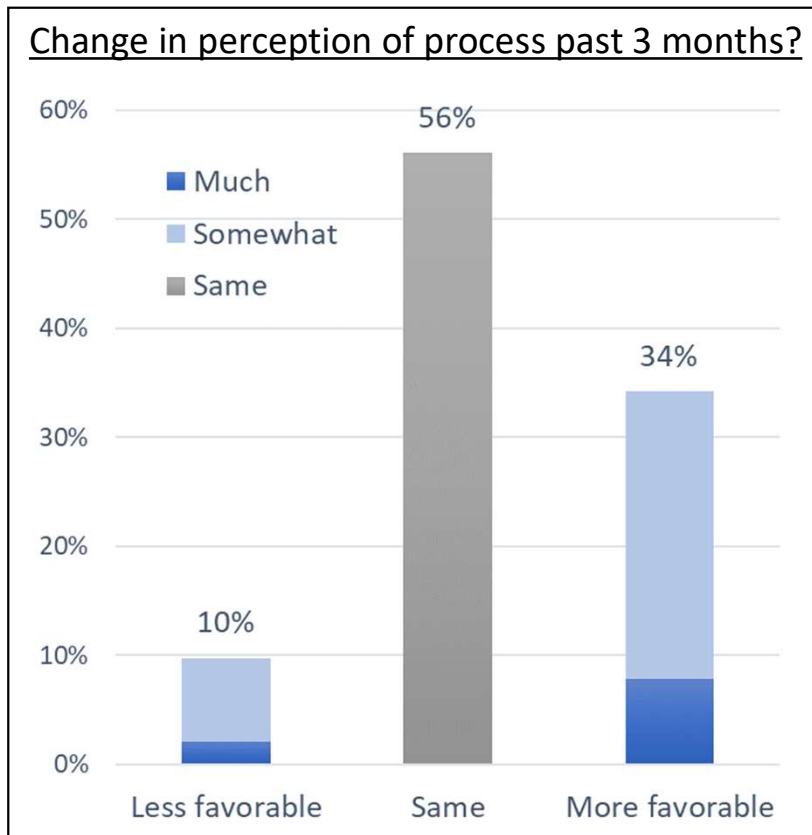
Making the E-rate process fast, simple, and efficient.



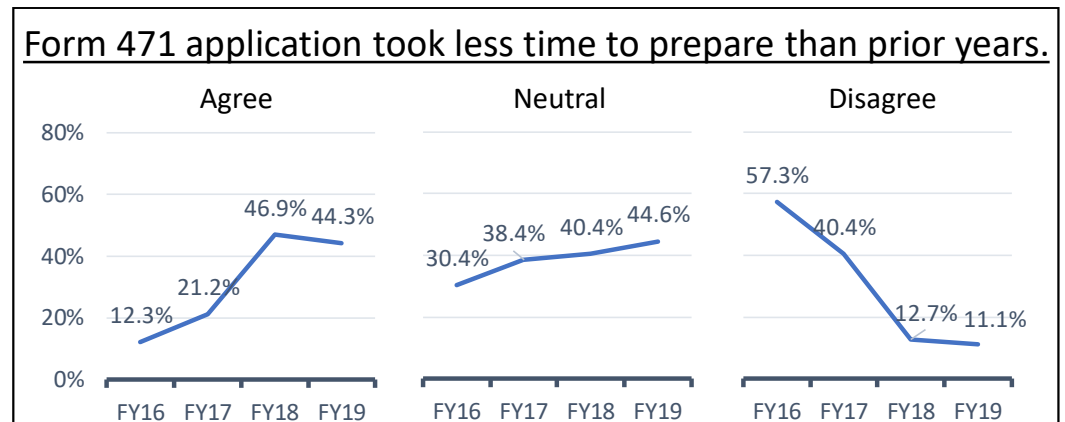
Survey Results

The Process, USAC and EPC

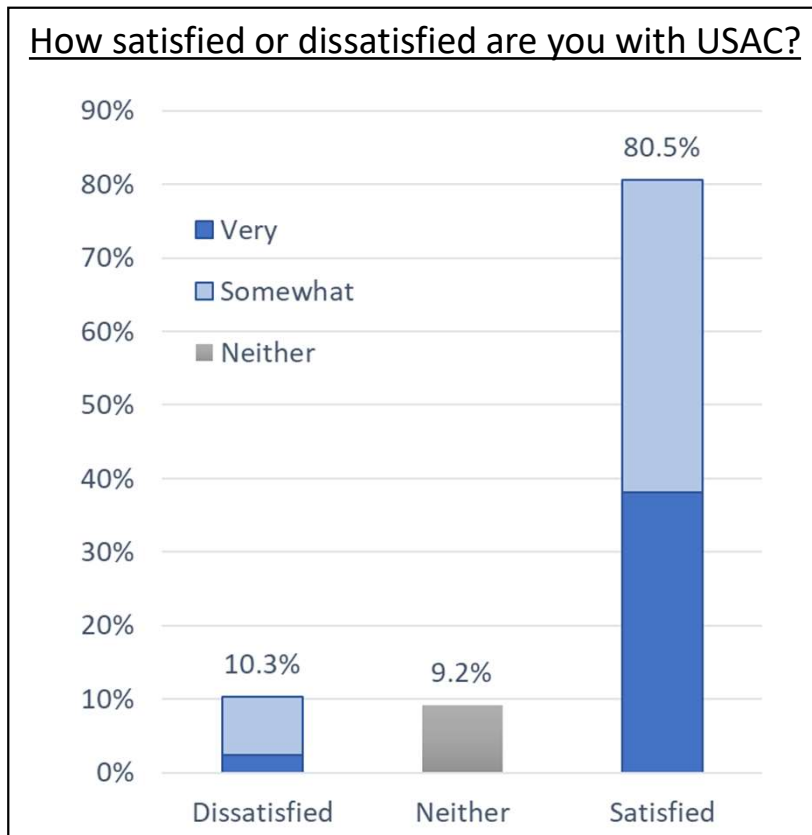
90% Say Process Same or Better Past 3 Months



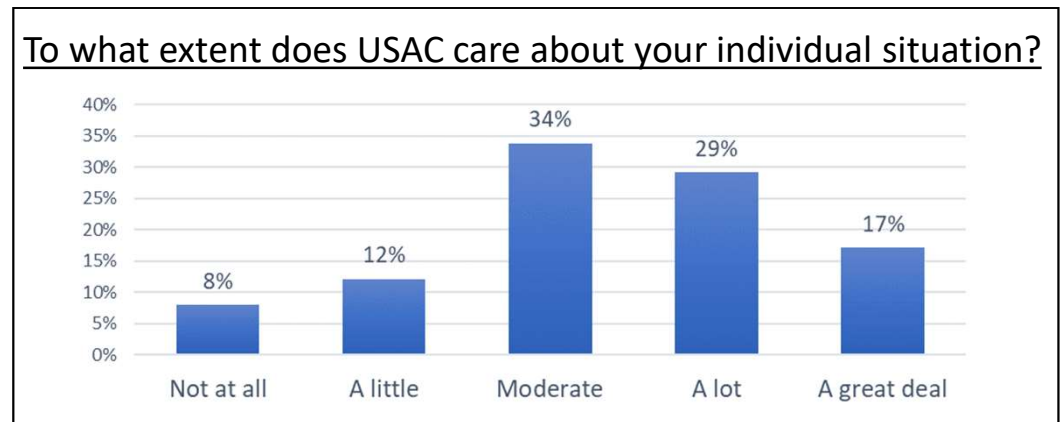
- 90% say process same or better
- 89% say Form 471 took same or less amount of time in 2019
- 49% want set filing window date



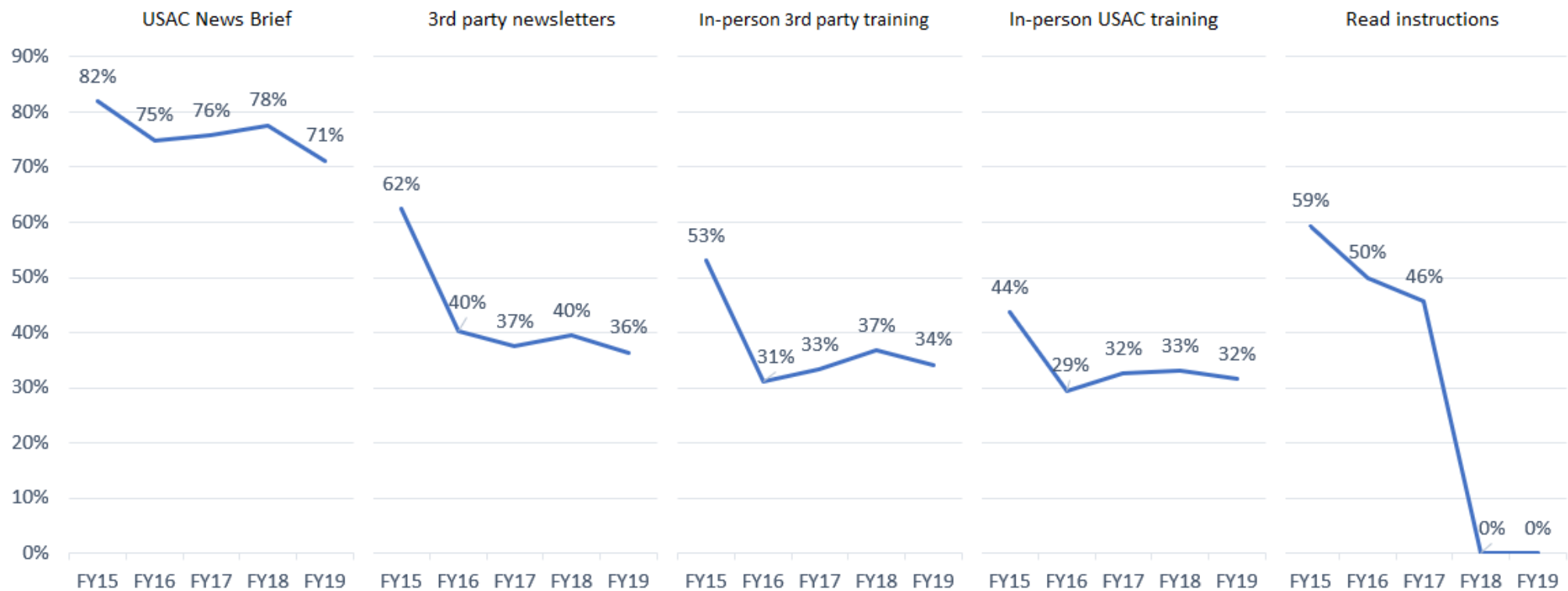
80% of Applicants View USAC Positively



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

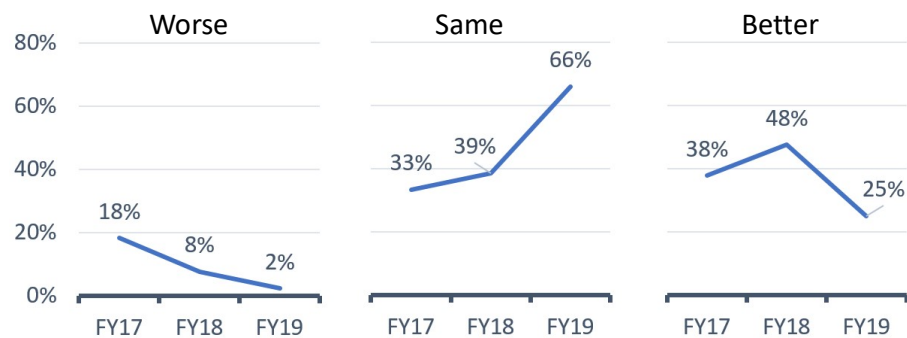


How do you stay up to date on program rule and process changes?



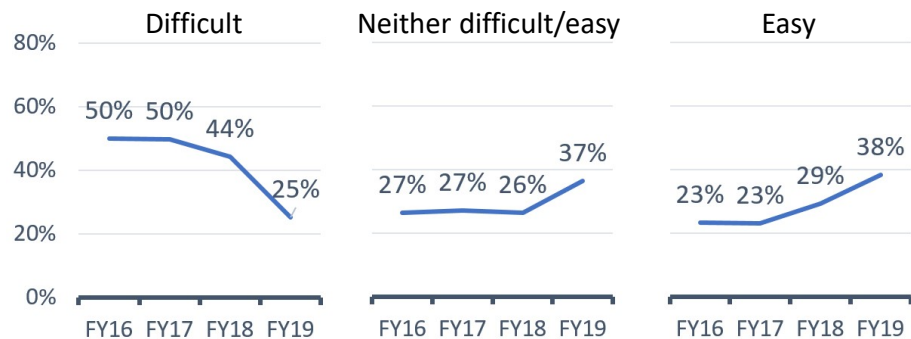
Perceptions of EPC Improving Significantly

How would you describe EPC this year compared to last?

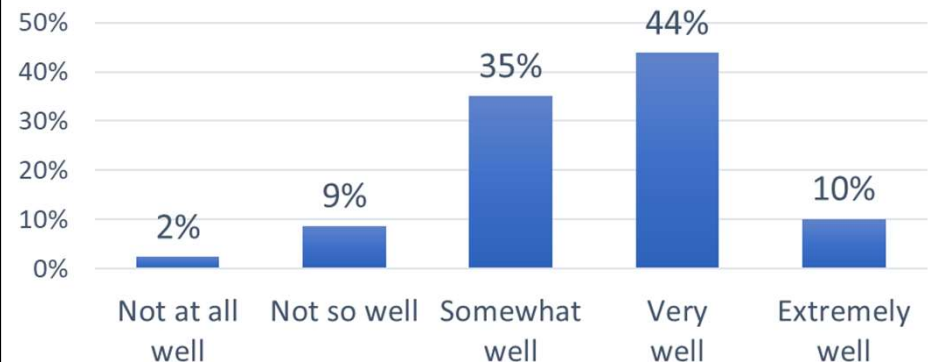


- 91%: EPC same or better
- 75%: EPC not difficult to use
- 54%: EPC meets their needs very well or extremely well

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



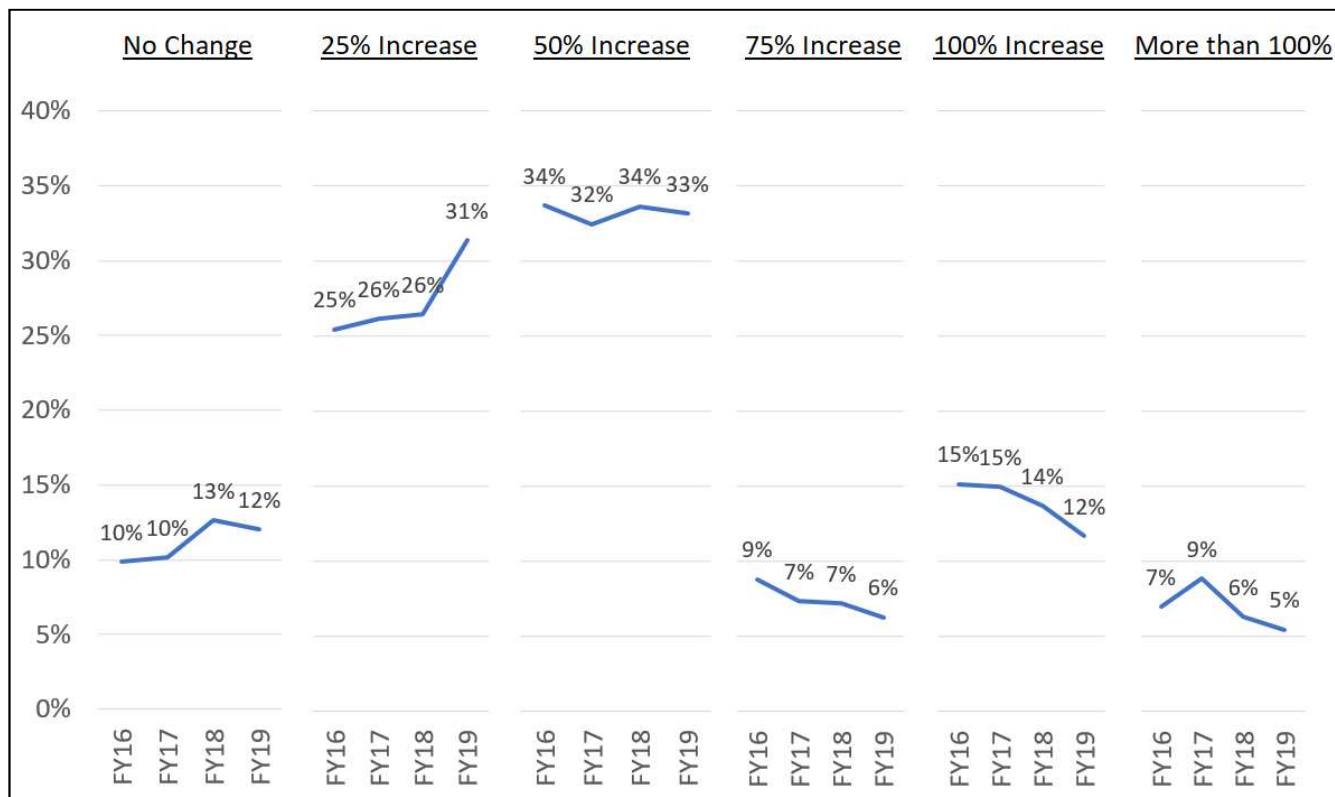
Overall, how well does EPC meet your needs?



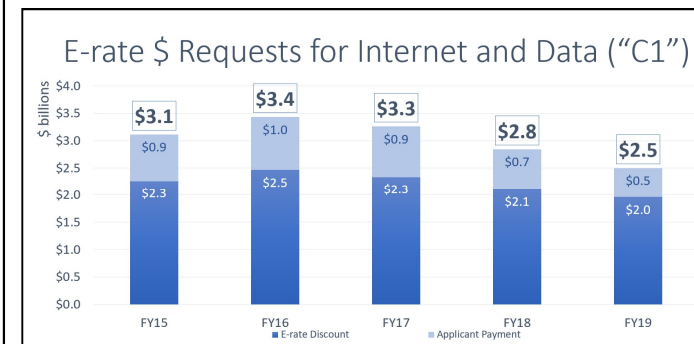
Survey Results

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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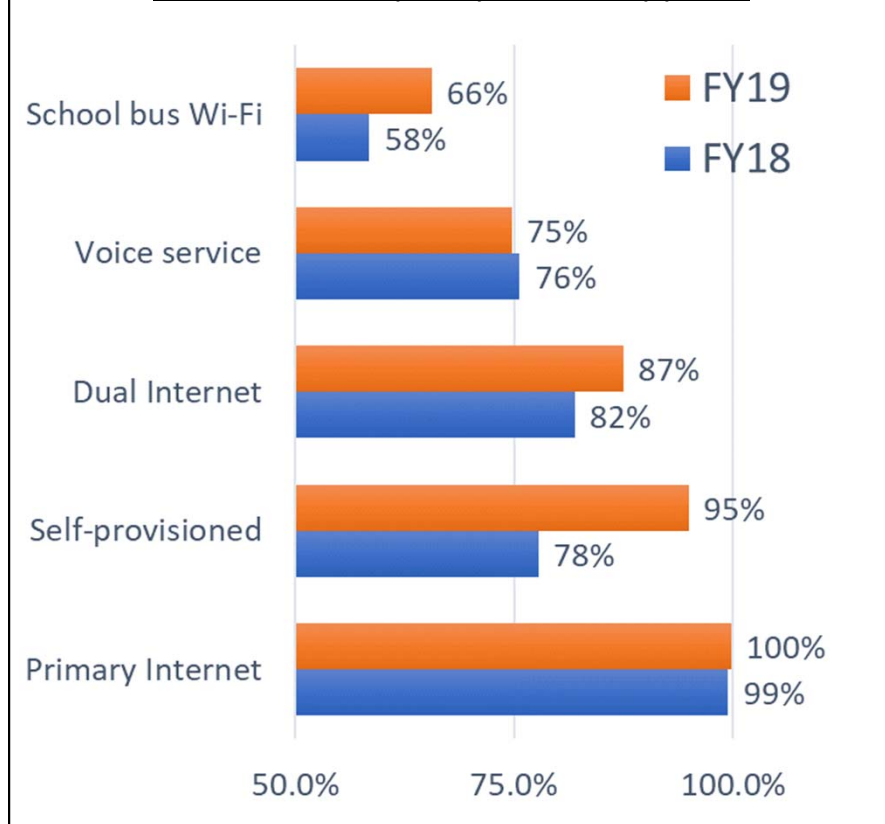
2019 National Applicant Survey Results
Page 14

High Percentage Want Dual and Self-Provisioned Internet

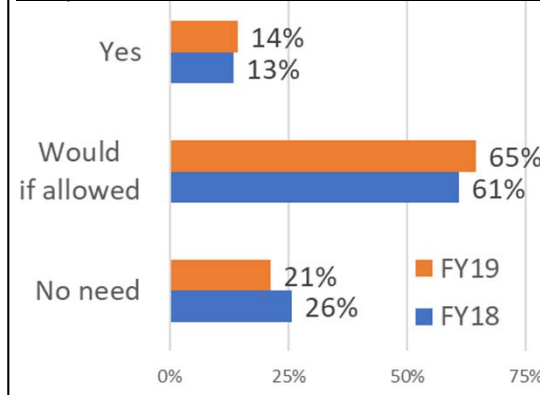
% of applicants that support eligibility:

- 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

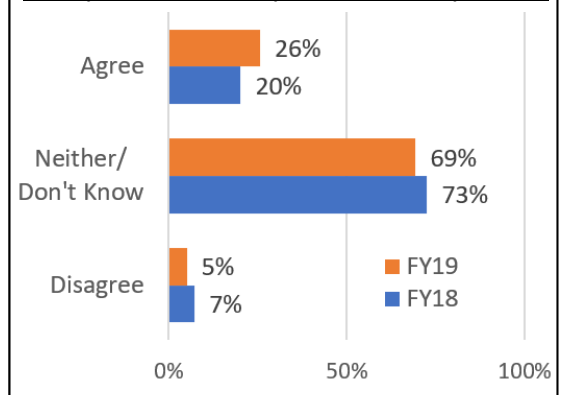
Which should qualify for C1 support?



Do you use dual Internet connections?

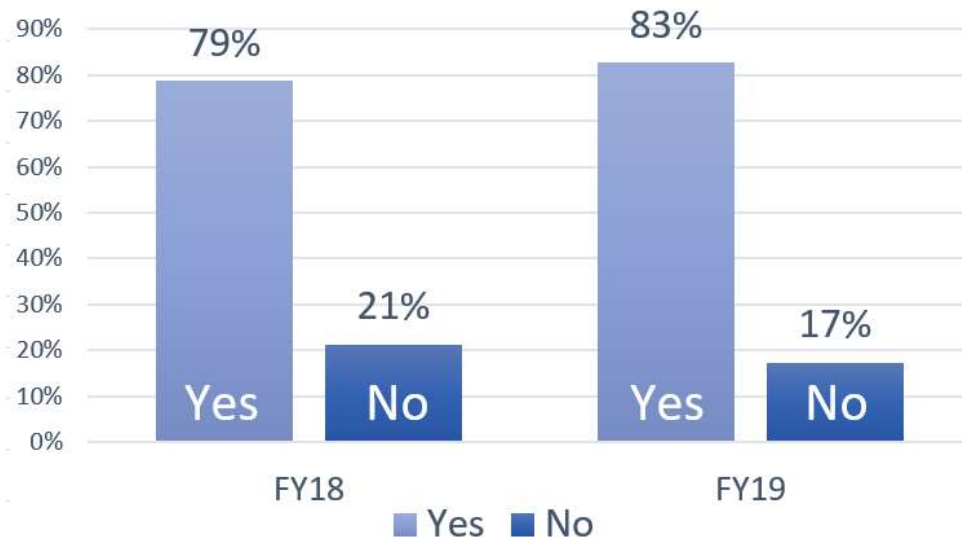


Self-provisioned option lowers prices?

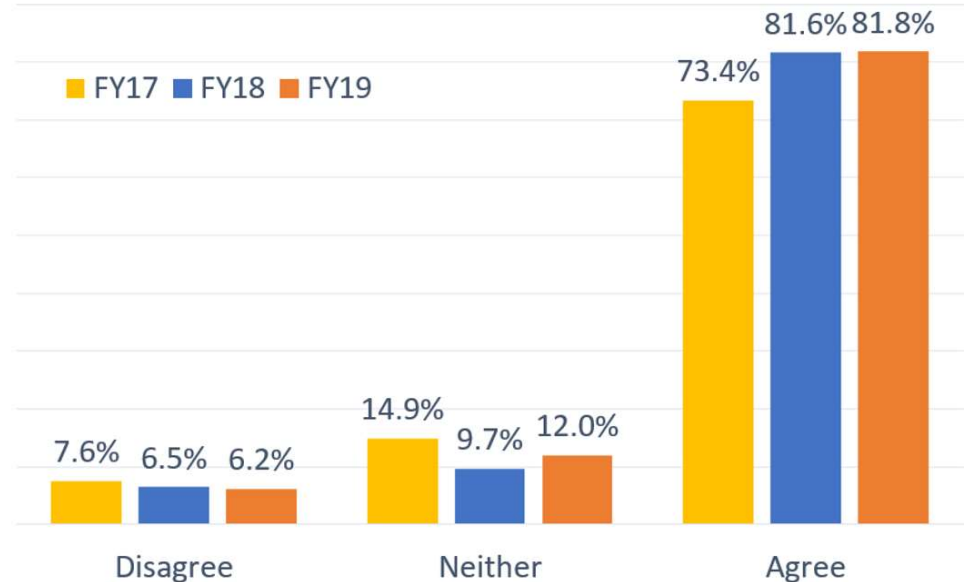


Homework Gap impacts 82% of applicants

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.

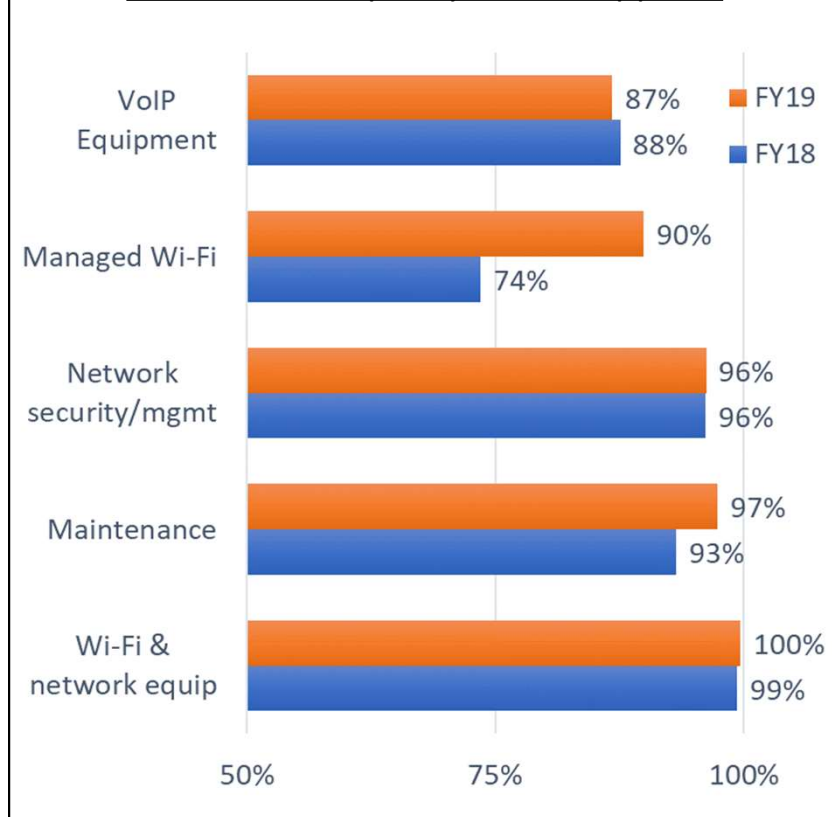


Survey Results

Category Two Discounts

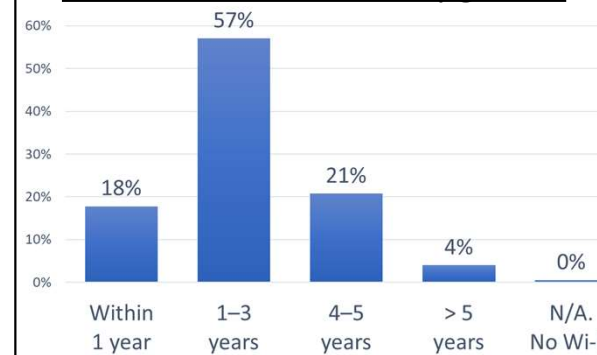
Crucial Wi-Fi Upgrades for 75% of applicants by 2022

Which should qualify for C2 support?

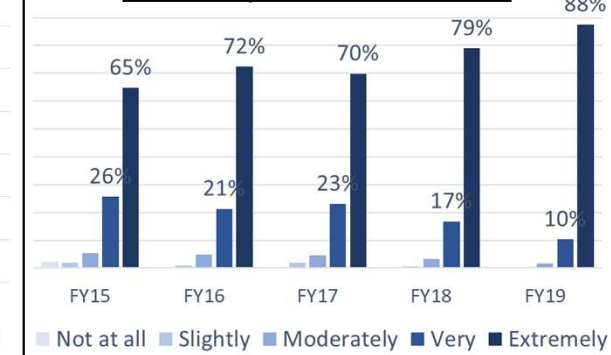


- High % request new options for C2
 - 96%: Network security & management
 - 88%: VoIP equipment (to migrate POTS)
- 98%: Wi-Fi very/extremely important
- 75%: Need to upgrade Wi-fi by 2022

When will Wi-Fi need upgrade?

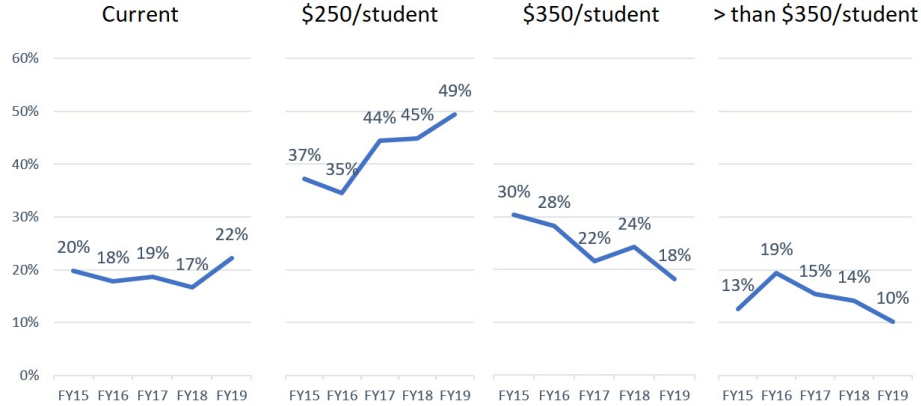


How important is Wi-Fi?



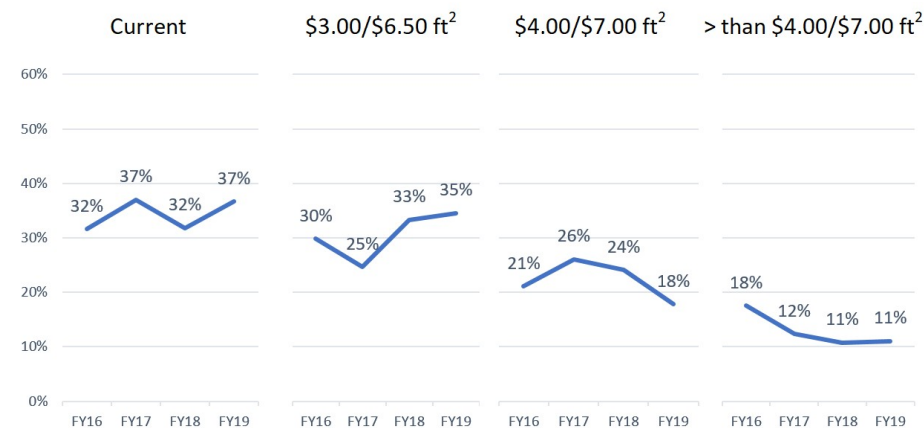
Strong Support for Category 2 Improvements

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

