

February 3, 2014

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Ex Parte Communication in *In Re Modernizing the E-rate Program for Schools and Libraries*, WC Docket 13-184

Dear Ms. Dortch:

Schoolwires, Inc. (“Schoolwires”) hereby submits an ex parte letter containing information following its meeting with Commission staff on November 19, 2014 regarding the above-captioned proceeding.

Pursuant to the Protective Order issued by the Wireline Competition Bureau in this docket on January 23, 2014, Schoolwires submits a confidential version of its letter as well as a public redacted version.

Please contact me if you have any questions regarding this filing.

Respectfully submitted,

/s/ Danielle Frappier

Danielle Frappier
Counsel to Schoolwires, Inc.

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REDACTED—FOR PUBLIC INSPECTION

Re: Ex Parte Communication in *In Re Modernizing the E-rate Program for Schools and Libraries*, WC Docket 13-184

Dear Ms. Dortch:

Schoolwires, Inc. (“Schoolwires”) hereby provides additional information as a follow up to its meeting with Commission staff on November 19, 2014 regarding the above-captioned proceeding. Schoolwires is a software and web service company that focuses on serving the needs of the K-12 community. It is a major provider of web hosting services, and serves the software and web service needs to over 1,500 K-12 school districts and education agencies across the country, including many who participate in the E-rate program.¹

A little over one fourth of Schoolwires web hosting customers, however, do not seek E-rate funding for the service. Schoolwires understands the Commission’s desire to measure the cost-effectiveness of all E-rate supported services, and in that spirit reviewed its internal pricing data to find out whether the E-rate funding distorts the market for web hosting services in any way. In other words, it asked whether school districts that receive E-rate funding for web hosting pay more for the service than school districts that do not receive funding. Schoolwires found that on average, its E-rate customers do NOT pay more than non-E-rate customers.² Of course, the absolute price paid by an individual district for each school website varies based on factors such as the number of schools and students to be served and other account-specific factors.

¹ Web hosting services include Internet connectivity (bandwidth), storage and website administration tools (software) for the creation and maintenance of school and library websites. In addition, eligible web hosting services include password-protected pages, interactive communication features such as blogging, and other features that facilitate real-time interactive communication to better connect members of the school community.

² ***BEGIN CONFIDENTIAL*** [REDACTED]

[REDACTED] ***END CONFIDENTIAL.

Because Schoolwires focuses on the K-12 market, it works to tailor its offerings to provide the services that school districts need at a price they can afford. Nevertheless, Schoolwires inquired whether if web hosting providers who do not focus exclusively on the K-12 community are able to offer the same services at a lower cost, perhaps through increased economies of scale permitted by a diversified customer base. To find out, it looked at three case studies that examine this question. These case studies were based on two current Schoolwires web hosting customers and one hypothetical customer. What they showed is that on a per site, per school, and per student basis, Schoolwires provides web hosting services at a lower cost, and with better features, than providers that are not focused on this segment of the market. It attaches these case studies for the Commission's consideration.

A few commenters have claimed that K-12 web hosting vendors like Schoolwires charge higher fees than is common in a commercial context. These comments belie a lack of technical knowledge and business experience with the needs of K-12 customers. While a casual observer might, for example, believe that a relatively lower-cost website hosting package advertised for personal or small business use would be sufficient for the needs of a school district, experienced school districts and web hosting providers know this is not the case. The K-12 market has significantly different requirements than the commercial market, and these naturally lead to different delivery costs. The experience of Schoolwires tells us that differences in price are almost always the result of significant underlying differences in the offerings themselves.

Moreover, we believe that hosting providers that tailor their offerings to meet the unique requirements of the K-12 market win business from a greater number of school district customers than providers that do not specialize in this market. Some of these unique needs include the fact that school districts have many users that share in the creation and maintenance of their sites. For example, teachers, administrative personnel, students and even parents may have t. Each group can have varying levels of rights and authorizations, some of which is even set at the level of the particular individual. This can result in literally thousands of people having varying levels access to and permissions within the E-rate eligible website administration and interactive communication tools. Schoolwires is aware of no other type of entity (business or government) that has this very unique and resource intensive need. If the web hosting service is not built with this structure in mind, after-the-fact customization to accommodate such needs would be very expensive. Any web hosting provider not currently focused on the K-12 market would necessarily need to make a large investment to meet these—and other similarly unique—needs of schools. The end result is that such providers simply will not have the economies of scale necessary to serve the K-12 market in a cost effective manner. It is for this reason (and not any market distortion) that K-12 schools tend to gravitate toward and select the specialized hosting providers which offer greater value at a lower price. After all, all E-rate applicants are required to obtain competitive bids and evaluate competitive options. Experience tells us that school leaders strive to select the services that offer the best value at the most competitive price.

Just as the typical school bus costs more than the typical personal car, the typical school website costs more to host than a typical personal or small business web page. Both the bus and the school website are designed to meet the specific, “no frills” requirements of schools. A bus costs more than a typical car in absolute terms, however, because it is designed to meet different

requirements, in terms of capacity, safety and so on. Obviously, it would be erroneous to assert that school busses are not cost effective and schools would do better to simply purchase their transportation vehicles from the local car dealership, because cars cost less.

Opponents of E-rate eligibility for web hosting services claim that these services are an inefficient use of E-rate funds. Their assertions are erroneous not only because web hosting services play a critical role in school districts across the country, but also because these services are remarkably cost effective, especially in light of the infrastructure costs required to deliver them. As we've reported, school websites must perform reliably under extremely high volumes of user traffic while delivering privacy and security. School websites require a dedicated and specialized infrastructure to meet performance and reliability standards. School districts are subject to privacy requirements and must maintain a secure environment for data that relates to their schools, students and families. Companies such as Schoolwires provide a centrally managed enterprise-level hosting infrastructure with secure data and facilities protection that are continually monitored. Access to a school district's data is limited, protected and audited, unlike many other services which are not fit to meet the specific needs of schools.

Despite these stringent and unique requirements, school web hosting services are extremely cost effective, costing only fractions of pennies per student per day. The \$28 million spent on web hosting is only 1% of the total E-rate spending each year, yet by making content accessible to schools, parents and students, it is a powerful driver of broadband demand and adoption, which are long term goals of this Commission as well as the President's ConnectEd initiative. E-rate support for web hosting advances both goals. School website hosting services deliver critical service at an extremely low cost.

In sum, web hosting provides crucial services to our nation's schools. They allow schools to communicate with parents, students, and community members effectively and quickly, and they facilitate digital learning. They help to drive broadband adoption and, as demonstrated in this letter, do so in a very cost effective way. Phasing out E-rate support for web hosting would cause serious hardship for the many school districts that would be forced to cut already tight budgets to pay the full cost of web hosting or abandon a critical service that facilitates communication and digital learning.

Please contact me should you have any questions.

Respectfully submitted,

/s/ Danielle Frappier

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Counsel to Schoolwires, Inc.

Via Email: Michael Steffen
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Attachment

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