**Before the**
**Federal Communications Commission**
**Washington, D.C. 20554**

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| In the Matter of | ) | |
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| Modernizing the E-rate | ) | WC Docket No. 13-184 |
| Program for Schools and Libraries | ) | |
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**COMMENTS OF VERIZON**[1]

In its July 23, 2014 *Modernization Order*, the Commission took major steps toward modernizing the E-rate program, reorienting the program to focus on high-speed broadband connectivity for schools and libraries.[2] The accompanying *Further Notice* seeks comment on "meeting the future funding needs of the E-rate program" in light of the new goals set forth in the *Modernization Order*.[3] The record in this proceeding and the Commission's analysis demonstrate that the existing budget meets the long-term funding needs for the E-rate program. If the Commission is nonetheless inclined to consider adjusting the E-rate funding cap, the Commission at a minimum first should evaluate: (i) the impact of recent changes to the program that have yet to be implemented; and (ii) the additional data called for in the *Further Notice*.

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[1] In addition to Verizon Wireless, the Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc. (collectively, "Verizon").

[2] *See Modernizing the E-rate Program for Schools and Libraries*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870, ¶ 1 (July 23, 2014) ("*Modernization Order*" and "*Further Notice*").

[3] *See Further Notice*, ¶ 266.

## I. The Commission Already Has Addressed Funding for Broadband Connectivity Within and To Schools and Libraries.

To promote broadband connectivity *within* schools and libraries, the *Modernization Order* sets an annual funding target of $1 billion for internal connections.[4] The *Modernization Order* lays out a well-reasoned, detailed analysis demonstrating that $1 billion is sufficient to meet the internal connections goals of the *Order*.[5] Nothing has occurred in the less than two months since that order was issued that would prompt a different conclusion.

For 2015-16, the $1 billion for internal connections will be provided through rollover funds identified by the Wireline Competition Bureau.[6] After that, the Commission will shift existing funding away from certain legacy services – such as voice services – and re-allocate that money to support broadband, including internal connections.[7] As the Commission noted, "we have taken major steps to refocus E-rate funding on broadband, in order to maximize the funding available to meet our connectivity goals."[8] Indeed, the phase-out of support for voice and other services largely will be sufficient to free up the $1 billion targeted for internal connections by 2018, with Commission staff projecting that $968 million will be available from the phase-out by 2019.[9] Accordingly, additional funding for internal connections is not needed at this time.

Likewise, the remainder of the existing budget should be sufficient to meet the goals of providing connectivity *to* schools and libraries. Most schools already have fiber in place and do

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[4] *See Modernization Order*, ¶ 6.

[5] *Id*. ¶¶ 92-107.

[6] *See id.* ¶ 78.

[7] *See id.* ¶ 6.

[8] *Further Notice* ¶ 268.

[9] *See* Wireline Competition Bureau & Office of Strategic Planning and Policy, *Staff Report*, WC Docket No. 13-184, ¶¶ 35-36 & Figure 10 (Aug. 12, 2014) ("*Staff Report*"). *See also Modernization Order*, n.166.

not need additional funding for faster speeds or additional connectivity.[10] And for schools that are not already served by fiber facilities, prices generally are falling.[11] The *Modernization Order* also includes additional steps to reduce pricing and, therefore, funding needs – and notes that "we have taken new strides to increase the efficiency and impact of E-rate funding, which should help drive down per-unit pricing for E-rate supported services over time."[12]

Moreover, the existing E-rate program rules already provide an inflation adjustment that will make additional funding available. At a 1.5 percent per-year inflation rate, the budget will increase by almost $200 million per year between 2014 and 2019. All of that funding would be available to support Category 1 connections to schools and libraries – and already is provided for within the existing budget.[13]

As such, there is no need to increase the current E-rate funding cap or otherwise increase the available funding. The *Modernization Order* and existing budget already provide funding sufficient to meet the new program goals for connectivity within and to schools and libraries.

## II. The Additional Information Sought by the Commission Does Not Reflect a Need for Additional Funding – Particularly Before Further Data Is Collected and Analyzed.

As part of its inquiry into whether additional funding is needed, the *Further Notice* seeks additional data and analysis in four areas.[14] As set forth below, none of these areas of inquiry

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[10] *See Staff Report*, ¶ 19 & Figure 7.

[11] *See* Ex Parte Letter from Alan Buzacott, Verizon, to Marlene Dortch, FCC, WC Docket 13-184 (Apr. 30, 2014) ("*Verizon Ex Parte*").

[12] *Further Notice* ¶ 268.

[13] Given that the E-rate budget cap was not adjusted for inflation at times in the past, the *Further Notice* asks whether and how the "substantial reduction in the real purchasing power of the E-rate budget since the program's creation should affect our analysis." *Further Notice* ¶ 270. But the extent to which the budget cap was adjusted for inflation in the past is not relevant. What matters now is that, as discussed above, the existing budget is sufficient to meet the program goals.

[14] *Further Notice* ¶ 269.

provides a basis for revising the existing long-term budget – let alone in *advance* of collecting and analyzing the data.

### A. The Gap between Schools' and Libraries' Current Connectivity and the Adopted Connectivity Targets Is Small.

The Commission "invite[s] data regarding the gap between schools' and libraries' current connectivity and the specific connectivity targets we adopt here," with an eye towards whether any such gap would necessitate additional funding to close.[15] However, any such "gap" is small.

The specific connectivity target adopted in the *Modernization Order* is "a connection capable of providing dedicated data service *scalable* to the … long-term WAN [Wide Area Networking] target of 10 Gbps per 1,000 students."[16] The Commission emphasized that this target focuses on the "*scalable capacity*," noting that few schools today actually need 10 Gbps per 1,000 students.[17] That is correct. Most schools and libraries require something well short of that level of capacity now, but – as the Commission recognized – "[i]n most cases, [even] a 1 Gbps fiber connection can be readily scaled to 10 Gbps with upgraded networking equipment."[18] And the record shows that most schools and libraries already have such connections.

Most schools and libraries today have fiber connections, which are readily *scalable to* 10 Gbps per 1,000 students. While the Commission staff's analysis pegged the number of schools that already have fiber connections at 65 percent,[19] even that figure clearly undercounts the number of schools with fiber. Among other things, some of the data sets used in the analysis are

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[15] *Id*.

[16] *Modernization Order* ¶ 39 (emphasis added).

[17] *Id*. ("At this time, the vast majority of districts and libraries that operate WANs do not have demand for … 10 Gbps circuits.")

[18] *Id*.

[19] *Staff Report* ¶ 19.

outdated, as they do not reflect deployment for the 2014 school year, and the *Staff Report* altogether excluded data where there was a conflict between data sources.[20] For these and other reasons, there are many specific examples of undercounting in the Commission's data. For instance, virtually every school district in the Washington, DC area has fiber to every school, but the Commission's map shows them either without fiber or uncounted.[21]

So, while the Commission's own analysis acknowledges that most schools and libraries already have fiber connections that can be scaled to meet the target of 10 Gbps per 1,000 students, in reality, the gap between current connectivity and that target is even smaller.

### B. There Is No Need for Additional Funding to Bridge Any Gaps between Current Connectivity and the Connectivity Target.

The *Further Notice* seeks specific information on how much funding is needed to bridge whatever remaining gaps exist between schools' and libraries' current connectivity and the connectivity target.[22] Taking these measures and trends into account and based on the information available today, there is no basis for concluding that additional funding will be needed to "bridge those gaps." As discussed above, whatever gap exists is small. The majority of schools and libraries already have scalable fiber connections. And bridging that small gap does not necessarily require additional funding.

Significant increases in bandwidth today can be achieved at little cost.[23] Broadband prices generally have fallen over time.[24] The *Modernization Order* has taken numerous

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[20] *See id.* ¶ 18, n.30.

[21] *See* http://www.fcc.gov/maps/E-rate-fiber-map.

[22] *See Further Notice* ¶ 269.

[23] *See Verizon Ex Parte*, at 2.

[24] *Id.*

additional steps that may accelerate even more cost-effective pricing.[25] And the available funding for Category 1 services such as these will increase every year, due to the inflation adjustment in the existing rules. As discussed above, available funding will increase by approximately $200 million per year between 2014 and 2019, which may well be sufficient to cover any remaining gaps.

Accordingly, at this time, there is no need to increase funding to bridge what already is a small gap that may shrink further and be remedied under the existing budget.

### C. The Per-Student and Per-Square Foot Budgets and Category Two Target Are Appropriate and Should Continue in Future Years.

The *Further Notice* seeks comment on the per-student and per-square foot budgets adopted for 2015 and 2016, asking whether those budgets should be continued in future funding years, as well as the closely-related question of the whether the $1 billion funding target for category two services is appropriate.[26]

For the reasons articulated in the *Modernization Order*, the per-student and per-square foot budget framework should be continued beyond 2015-2016. This framework provides broader and more equitable support for category two discounts, facilitating support to a far greater number of eligible applicants than other proposed approaches or that receive support today.[27]

Similarly, based on the information available today, the $1 billion annual target for Category 2 services set forth in the *Modernization Order* is reasonable. The FCC undertook a thorough analysis to reach that figure, finding that it was sufficient to meet the Commission's

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[25] *See Modernization Order* ¶¶ 155-86.

[26] *See Further Notice* ¶ 269.

[27] *See Modernization Order* ¶¶ 86, 111.

internal connections goals. Indeed, if anything, the target may be too generous, given that: (1) many schools have deployed Wi-Fi at a considerably lower cost per student;[28] and (2) the target assumes that schools and libraries do not have any installed infrastructure to work with, even though many schools and libraries actually already have substantial infrastructure in place (including schools that already received substantial priority two support in prior years).[29]

However, the support for managed Wi-Fi under the E-rate program should be continued beyond 2015-16, regardless of whether the Commission decides to continue with the same budgets. As the *Modernization Order* explains, applicants would benefit from greater flexibility to choose from among managed Wi-Fi options, which can provide "substantial benefits and cost savings to many schools and libraries, particularly small districts and libraries without a dedicated technology director available to deploy and manage advanced LANs/WLANs quickly and efficiently."[30]

### D. The Funding Freed Up by the Phase-Out Is Sufficient and Should Not Be Revisited Based on the Current Record.

Finally, the Commission seeks comment on the sufficiency of the "significant funding freed up by … focusing the [E-rate] program on broadband" and whether that is enough to meet long-term connectivity needs.[31] As noted above, the information available today indicates that the phase-out of support for voice and other legacy services will free up enough funds to meet the goals established by the *Modernization Order*. The analysis contained in the *Modernization Order* and in the *Staff Report* shows that "the savings from the phase-out of non-broadband

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[28] *Id.* ¶¶ 91, 93.

[29] *Id.* ¶ 94.

[30] *Id.* ¶ 124.

[31] *Further Notice* ¶ 269.

services should, on completion, be largely sufficient to cover the annual funding target for category two services."[32]

If anything, the analysis likely understates the impact of the phase-out. Among other things, the *Staff Report* does not account for the fact that a significant chunk of T1 demand is likely for voice services.[33] Moreover, the phase-out may occur more rapidly than estimated by the Commission. Demand for voice services already is declining organically.[34] And, as the discounts decline, some schools may forego applying for support for voice services altogether, accelerating the phase-out.

Given that the available information confirms that the existing budget can meet the goals of the *Modernization Order*, especially in the early years,[35] there is no reason to revise the budget at this time. For now, the Commission should monitor the effect of the *Modernization Order*, the operation of the new rules and the associated budget impacts. Going forward, the *Modernization Order* puts in place significant new data-gathering mechanisms that will allow the Commission to monitor progress towards its goals and track expenditures. In particular, the Commission will over time develop the following:

- a more accurate picture of schools' and libraries' connectivity, which will allow the Commission to assess progress towards the external connections goals, any remaining "gap," the reasons for the gap, and whether the gap is caused by funding issues or by other factors, such as technical expertise, lack of demand, or other factors;[36]

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[32] *Staff Report* ¶ 36. *See also Modernization Order* n.166.

[33] *See Staff Report* ¶ 35.

[34] *Id*.

[35] See *Modernization Order* n.166.

[36] *See id.* ¶¶ 36, 42.

- real-world data about the amount of Wi-Fi deployment that will have occurred under the $150 per-student budget, to inform discussions about the reasonableness of that budget;[37] and

- data about trends in funding being devoted to the different services, both broadband services and the legacy services being phased down.

As such, the Commission should avoid making any changes to the budgets now – when there is no evidence any such changes are needed – and instead revisit any funding requirements in the future, after it has had the opportunity to assess this data and the impact of the *Modernization Order*.

## CONCLUSION

Consistent with the foregoing, the Commission should not increase the E-rate funding cap at this time.

Respectfully submitted,

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[37] *See id.* ¶¶ 46-47.