

April 15, 2022

**VIA ELECTRONIC FILING**

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

RE: **Ex Parte Submission**

***Promoting Fair and Open Competitive Bidding in the E-rate Program – WC Docket 21-455  
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 April 14, 2022, Funds For Learning, LLC, met via video conference with Ramesh Nagarajan, Wireline Competition Bureau Legal Advisor to Chairwoman Rosenworcel. We discussed the success of the current E-rate competitive bidding process, as highlighted in an analysis submitted to the FCC, and shared our concerns about the FCC proposal to federalize all E-rate related procurement. Representing Funds For Learning, LLC, were John Harrington, Chief Executive Officer, Cathy Cruzan, President, and Brian Stephens, Director of Client Services.

Reviewing the attached presentation, we explained that the existing E-rate competitive bidding framework is healthy and should not be changed. In our analysis, we found no data to indicate that the E-rate competitive bidding process needs a significant overhaul. The current system encourages effective local decision making and operates with transparency. The result is both strong competition and lower prices.

We explained that the FCC's proposal to federalize E-rate procurement would conflict with numerous state and local procurement regulations. A new system of procurement would require changes to the existing rules and procedures that schools and libraries already follow for their other purchases. At best, this new procurement system would be duplicative, and would likely lead to more errors and mistakes by all parties. This would place an additional burden on applicants, as well as vendors, and would likely have a chilling effect on the competitive bidding process. Because the FCC and USAC have zero experience managing procurement for school and library systems, we asked the rhetorical question "Why fix what isn't broken?"

Continuing our discussion, we shared a set of summary statistics and graphs from “Impact of Modernization on the E-rate Competitive Bidding Process: Funding Years 2017 to 2021.”<sup>1</sup> Submitted to the FCC on March 30, 2022, this report is an in-depth analysis of the publicly available bidding and funding request information from the past five E-rate funding cycles. We explained that the E-rate is a vital source of funding for schools and libraries, serving 54 million K-12 students, and that the FCC should proceed with great caution before dramatically altering the program. From the report, we highlighted the following data from 2017 to 2021:

- The E-rate process involve 83,994 proposals and 28,925 contracts each year, on average.
- In 2021, the average contract received 3.23 bids. This is up 26% from FY2017.
- Half of Form 470 proposal requests now include detailed bid attachments.
- There has been a 16% reduction in the count of contracts awarded based on fewer than two bids.
- The number of agreements based on month-to-month or tariff pricing has dropped in half.
- The median price per megabit has dropped 71%.
- The average price of wireless access point has dropped 49%.

Regarding the FCC’s proposal to place USAC in charge of receiving bids on behalf of applicants, we stated that USAC currently is not an authorized procurement agent for any school or library. We explained that K-12 schools will continue to have procurement systems and personnel to manage the other 99.5% of their expenditures, and we offered our opinion that a new USAC-managed competitive bidding system will be duplicative and wasteful of public resources. We shared that USAC is very capable and experienced in managing the review of E-rate applications, payment paperwork, and audits, but not local procurement. The FCC should continue to rely on USAC for E-rate application review, and the FCC should also continue to rely on local procurement officials to conduct local procurement.

We concluded by emphasizing that the current online E-rate application portal (EPC) is not easy to use, despite years of development and an investment of tens of millions of dollars. We explained that we do not have confidence that the EPC system could effectively manage 84,000 proposals and 29,000 new contracts each year; and that there was no data, or even anecdotal information, to suggest that USAC can manage the bidding process more effectively than school and library procurement officials currently do.

Respectfully submitted,

*/s/ John D. Harrington*

John D. Harrington  
Chief Executive Officer

cc: Ramesh Nagarajan, Wireline Legal Advisor to Chairwoman Rosenworcel

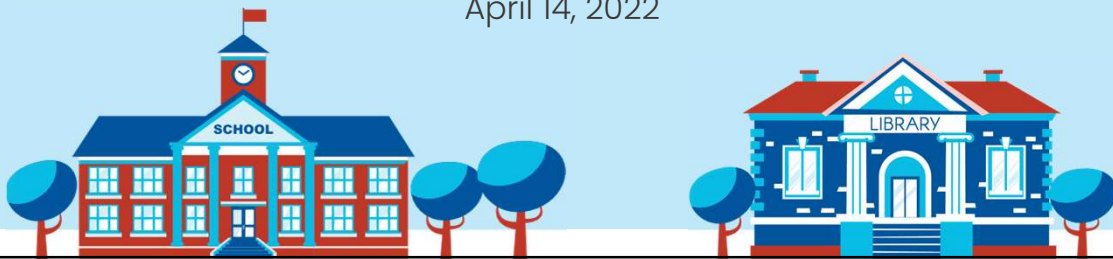
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<sup>1</sup> <https://ecfsapi.fcc.gov/file/1033037873929/2022-03-30-E-rateCompetitiveBiddingProcessExParte.pdf>

# E-rate Competitive Bidding Process

## Reviewing the Current System & the FCC's Proposed Changes

Funds For Learning®  
April 14, 2022



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## Executive Summary

- Existing E-rate system framework is healthy
  - Local decision making and accountability
  - Drives competition and lowers prices
- Proposed changes conflict with local bidding rules
- FCC/USAC have a poor track record with online tools
  - FCC has yet to fix Form 470 drop-downs
  - USAC has no experience managing bids
  - Applicants struggle to use EPC
- Why fix what isn't broken?

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# Overview

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## Local Bidding Rules: Core Part of E-rate

- Founding E-rate principles (and reasons for success)
  - Local decision-making more effective than state/federal
  - Cost is important, but not the only factor
  - Publicizing RFPs (Forms 470) encourages better solutions
  - Public \$ deserve scrutiny and records must be preserved
- Recent enhancements to existing system (in 2015)
  - RFPs available to vendors in EPC
  - All pricing information made public (on Forms 471)

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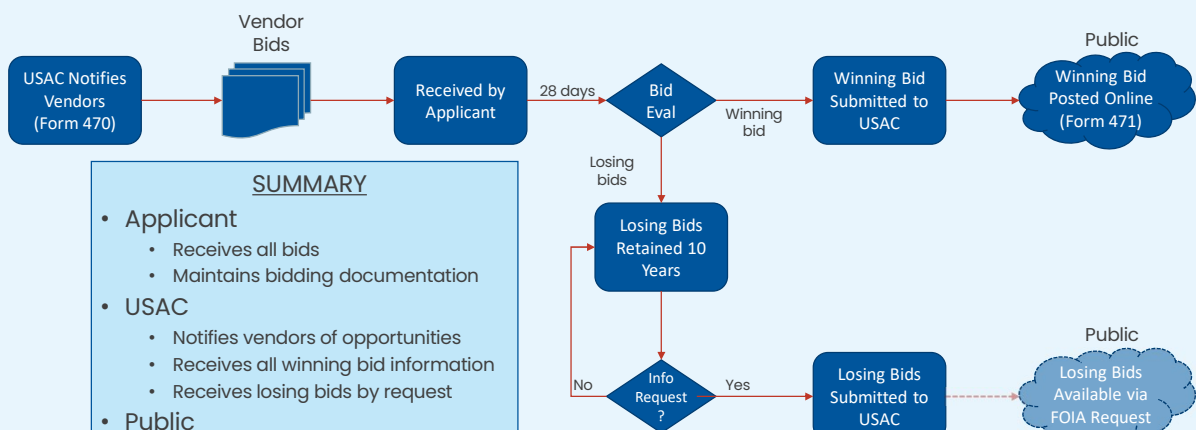
## Current E-rate System Successful

- **Competition:** more bids and lower prices
- **Transparency:** fees and winning vendors online
- **Compliance:** State and local regulations enforced
- **Audits:** Applicants maintain bids or risk forfeiture



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## Current E-rate Bidding Process

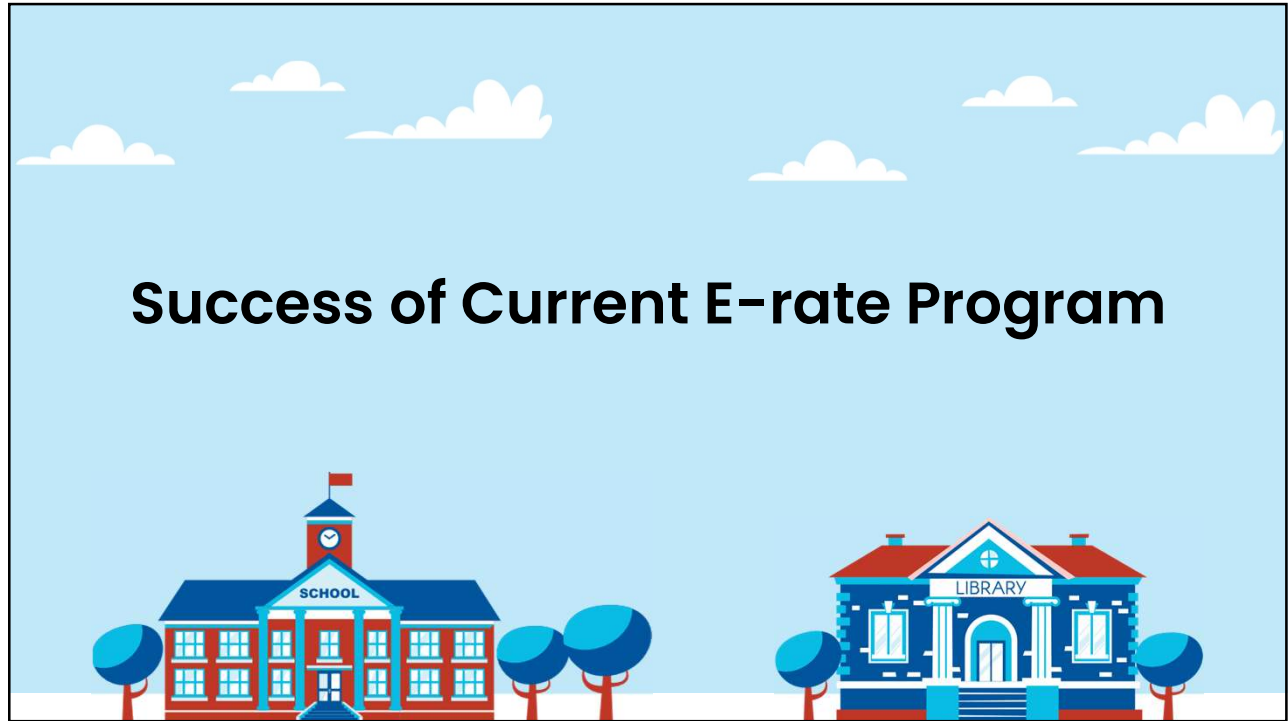


FOIA = Freedom of Information Request for public records



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## Success of Current E-rate Program



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### E-rate by the Numbers

Funding Year 2022 Statistics

**132,013** School and library sites connected

**53,990,412** K-12 students served

**\$1,559,192,463** Wi-Fi and networking equipment

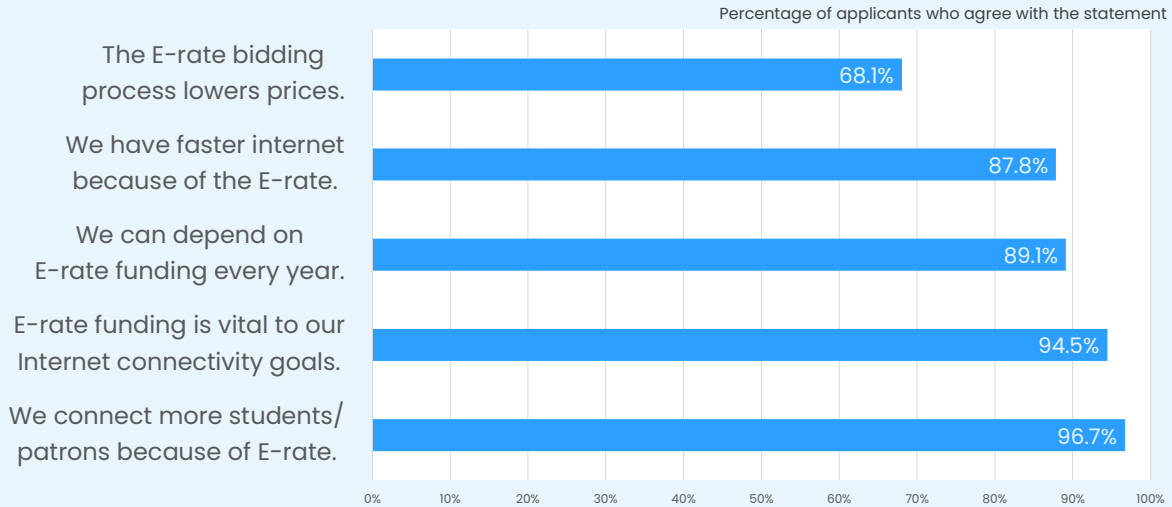
**\$1,660,644,221** Internet and broadband connections



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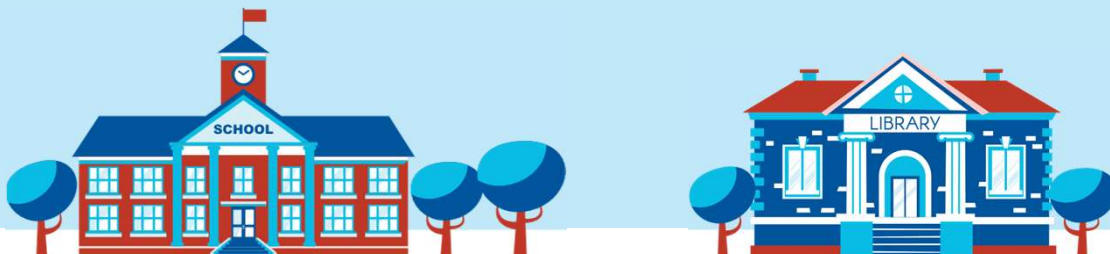
# E-rate: Vital. Reliable. Faster. Less Expensive.

97% agree: More students/patrons connected because of E-rate support.



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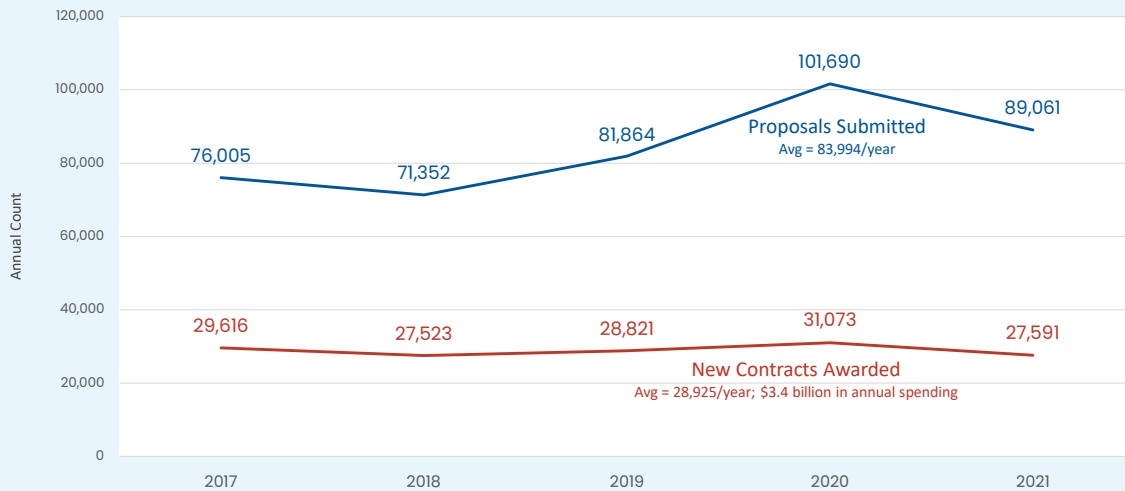
## Current Procurement Process Produces Positive Outcomes



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## 28,925 Contracts Awarded for \$3.4 Billion/Year

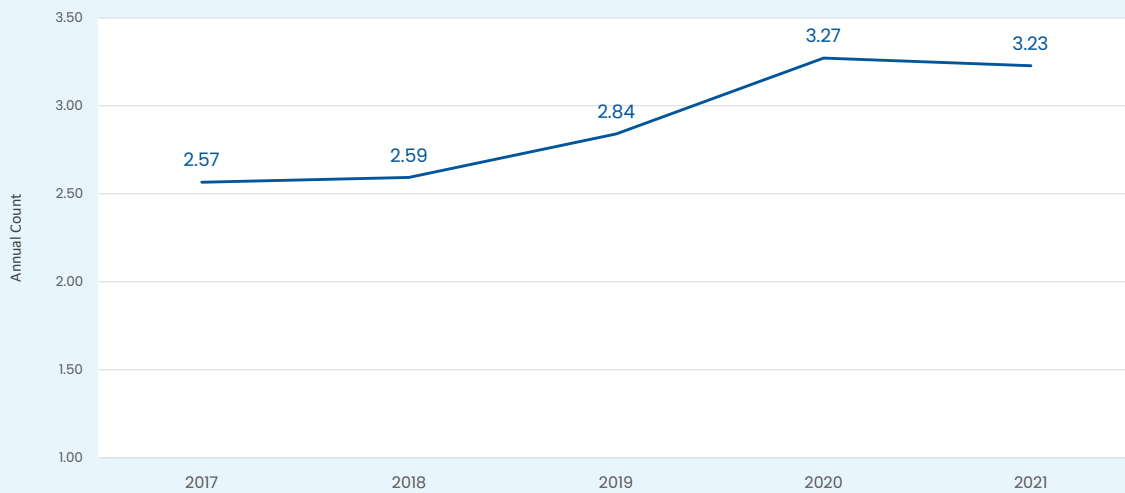
Average of 83,994 proposals received each year



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## Bidding Activity Up 26% in Past 5 Years

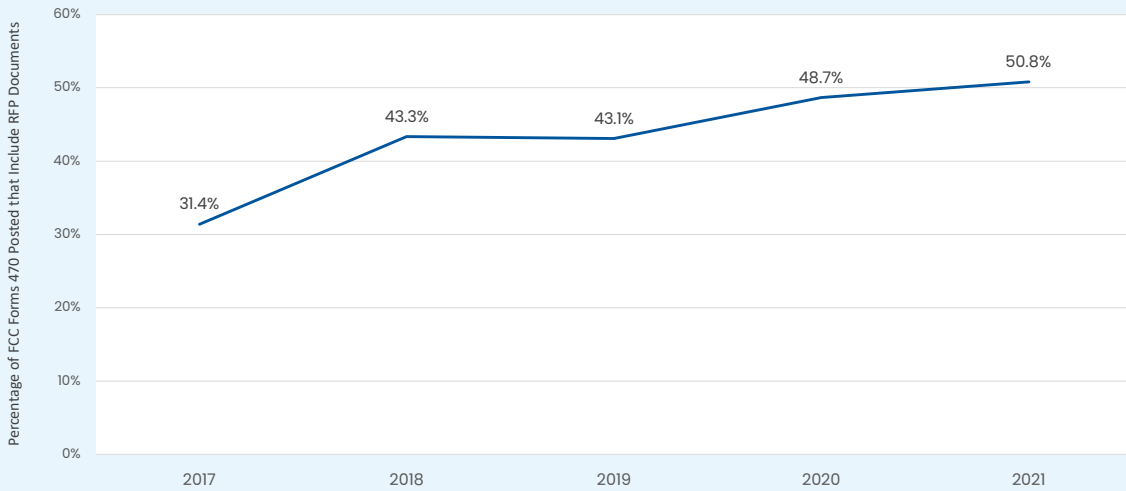
3.2 Bids Received Per Expiring Contract in 2021



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## More than 50% of E-rate Form 470s Include RFP Record Percentage of Procurements Include RFP Materials

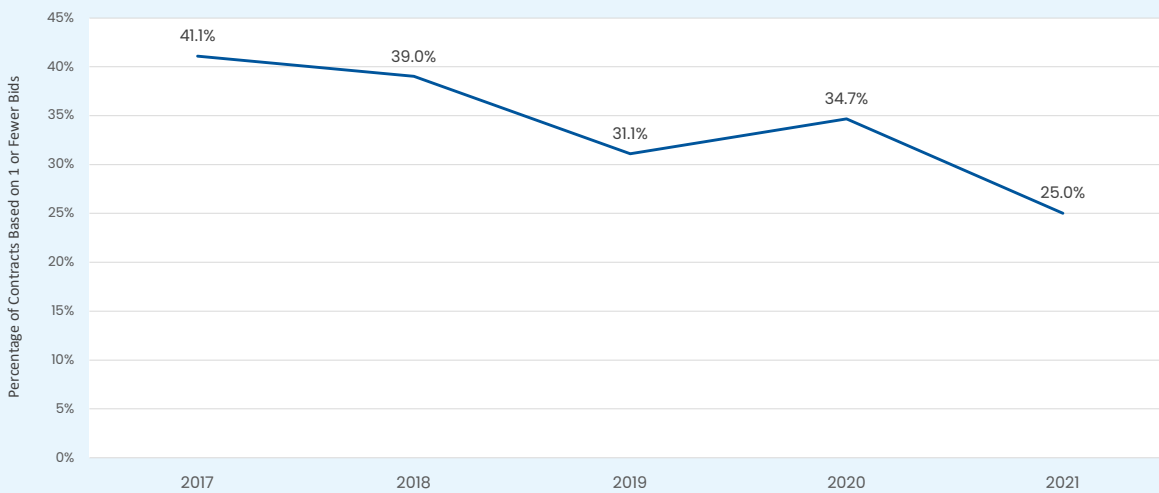


Source: E-rate Manager® (excludes requests for voice services)



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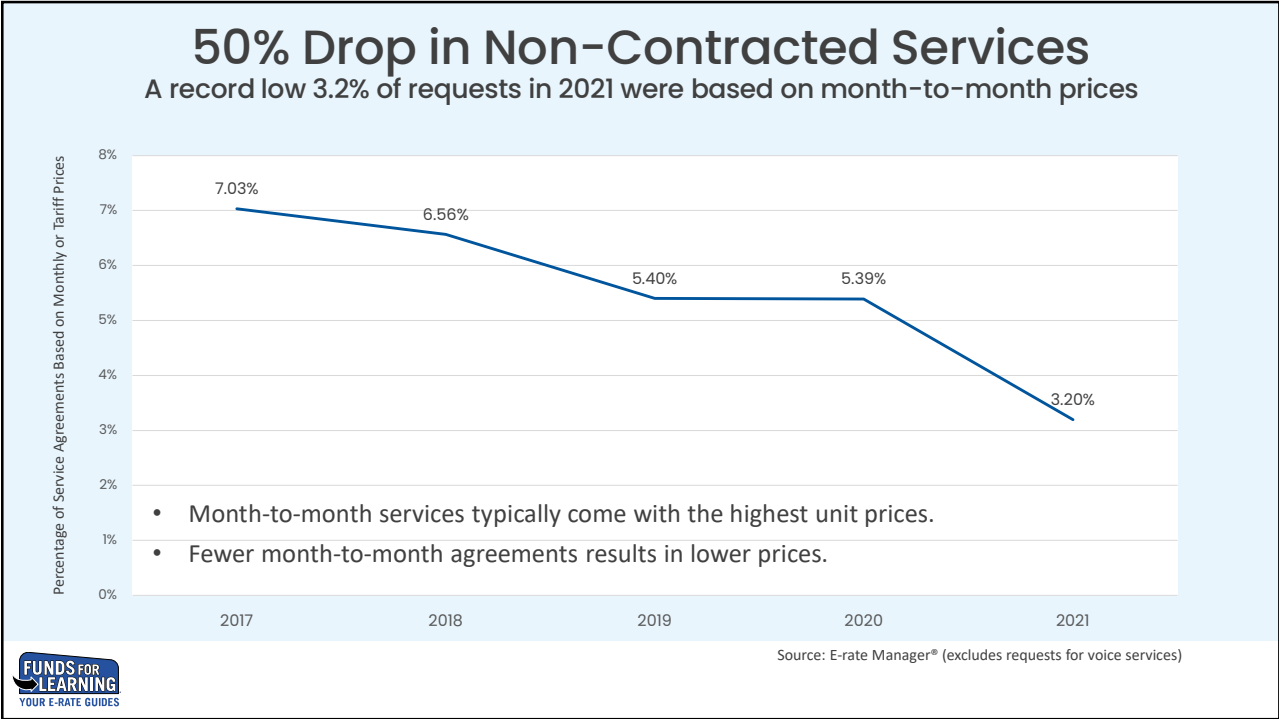
## 16% Drop in Count of Single-Bid Purchases Record Low Percentage of Procurements Based on 1 or fewer bids



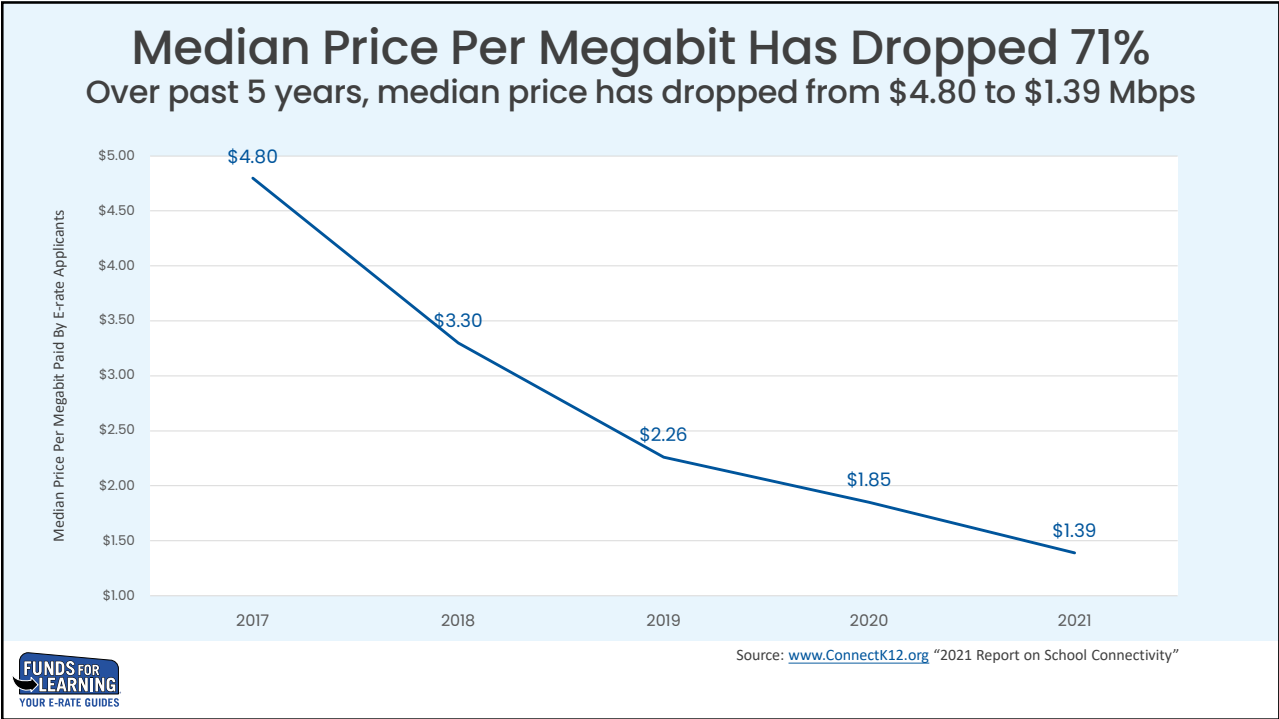
Source: E-rate Manager® (excludes requests for voice services)



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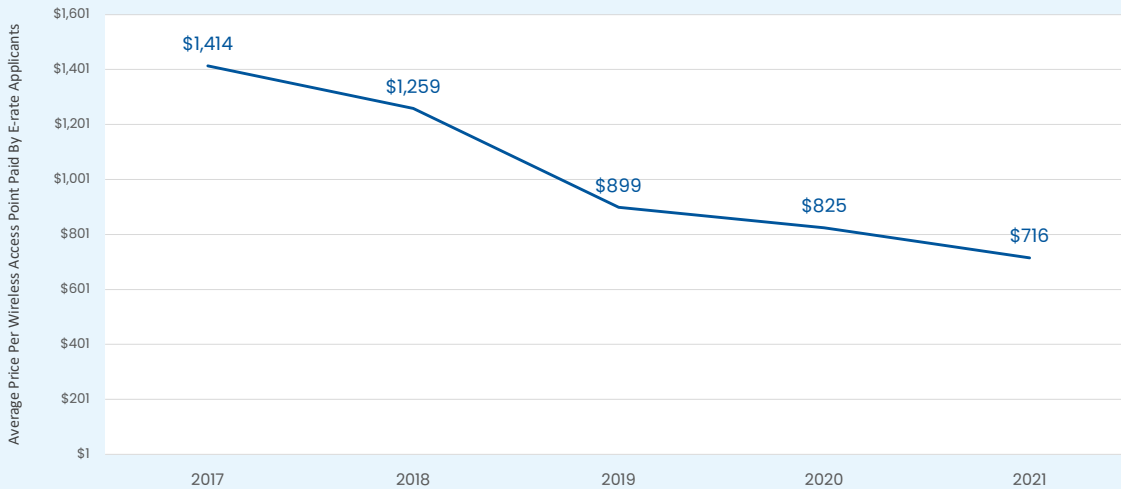
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## Average Price Per Access Point Dropped 49%

Over past 5 years, average price has dropped from \$1,414 to \$716 per WAP



Source: E-rate Manager®

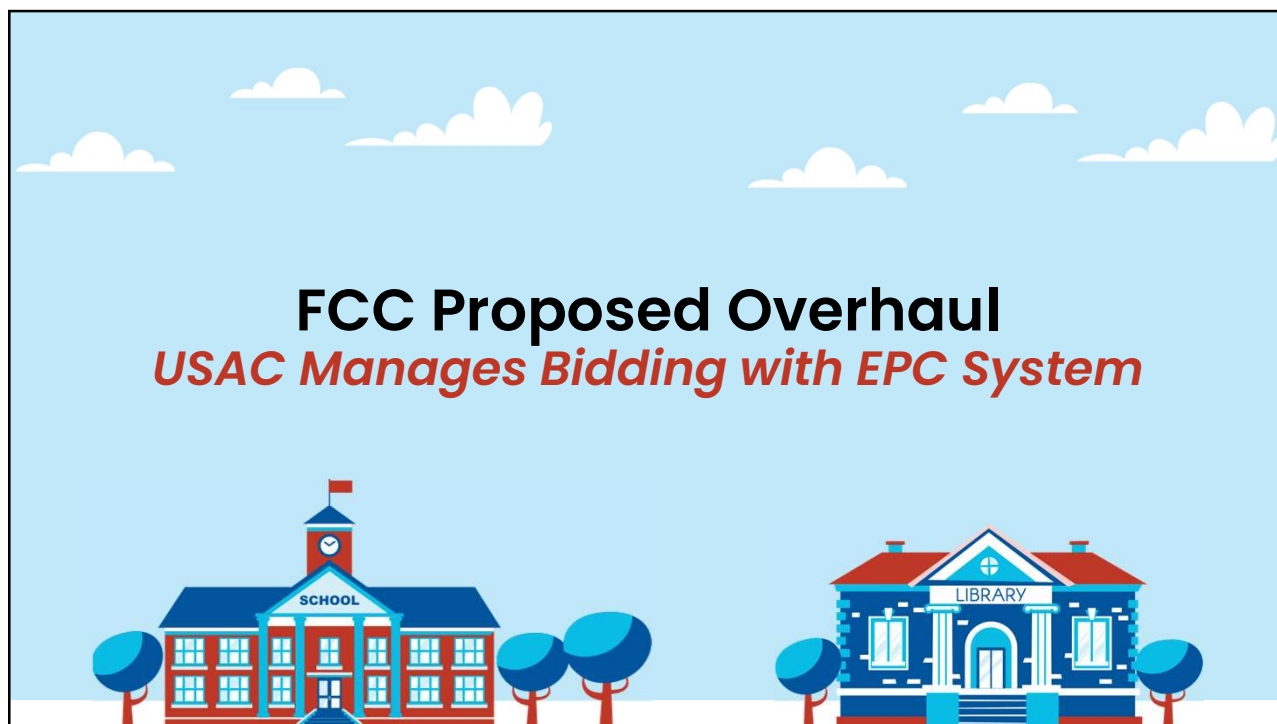
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## Recap of Existing System

- Local officials review 84K proposals/year
  - 29K contracts awarded each year
  - 50% of Form 470s include RFP documents
  - Winning bidder and pricing all made public
- Exceptional performance past five years
  - Number of bids per contract up 26%
  - 16% drop in single bid contracts
  - 50% drop in non-contracted services
  - Prices down 71% for Internet access and 49% for WAPs



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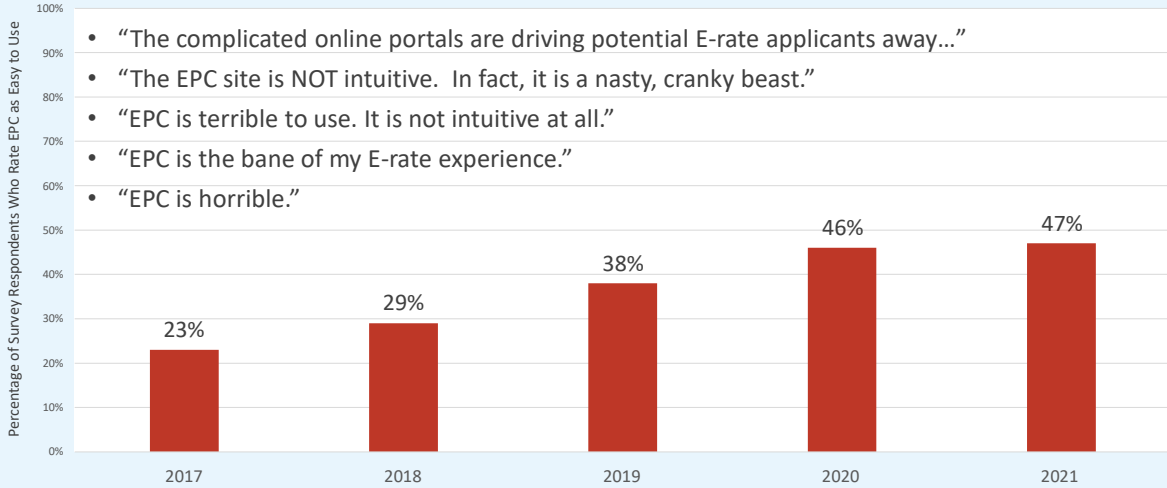
## Major Areas of Concern

- USAC not an authorized procurement agent
- Local officials use other RFP systems 99.5% of time
- Procurement requires judgment
  - Not all bids are considered responsive
  - Local systems exist for exceptions, protests, bid openings...
- USAC is experienced at reviewing applications
  - Inexperience at managing bidding process
  - Poor track record with EPC

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# 47% of Applicants: EPC is Easy To Use

## USAC online portal lacks broad support after years of fixes



Source: Annual Survey of E-rate Applicants (2017 to 2021)