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**Procurement Analysis**  
**Preliminary Results of New Jersey Digital Readiness for Learning and Assessment**  
**Wide Area Network & Internet Cooperative Purchasing Initiative**

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This memorandum summarizes the preliminary results of the New Jersey Digital Readiness for Learning and Assessment Project (NJ DRLAP) wide area network (WAN) and Internet access request for proposals (RFP). The RFP was administered as a cooperative purchasing initiative by the Middlesex Regional Educational Services Commission (MRESC) with the assistance of its partners, Bergen County Technical Schools (BCTS) and the Educational Information and Resource Center (EIRC). The initiative is supported by the New Jersey Department of Education (NJDOE) and Dellicker Strategies, the project consultant.

**Timeline**

After several months of meetings, schools and districts affirmed their participation in the cooperative purchasing initiative by returning a letter of intent and service order form last June. K-12 educational organizations that did not return forms also were included by their membership in the MRESC cooperative. All districts, charter schools and nonpublic schools in the state were eligible to participate.

On July 15, 2014, the MRESC released the RFP. When proposals were due on Sept. 17, the MRESC received 13 responses from the following telecommunications service providers:

- Affiniti
- Cogent
- Comcast
- DNS
- ENA
- Fibertech
- Lighttower
- Lightpath/Cablevision
- NexGen
- PenTeleData
- Sunesys
- Verizon
- XTEL

Through October, a volunteer evaluation committee of district leaders and school educational technology professionals heard oral presentations by the vendors and reviewed the proposals in compliance with state procurement laws about cooperative purchasing. Proposals were scored based on price and technical factors, although almost all the awards went to the lowest-priced provider.

On Nov. 21, the MRESC Board of Directors approved the recommendations of the evaluation committee and awarded services to seven providers: Affiniti, Comcast, DNS, Lightpath, PenTeleData, Sunesys and XTEL. The MRESC notified the districts of the awards via email on Nov. 24 and Nov. 25. Now through March, the MRESC, its partners and the successful providers will be helping schools sign up for service.

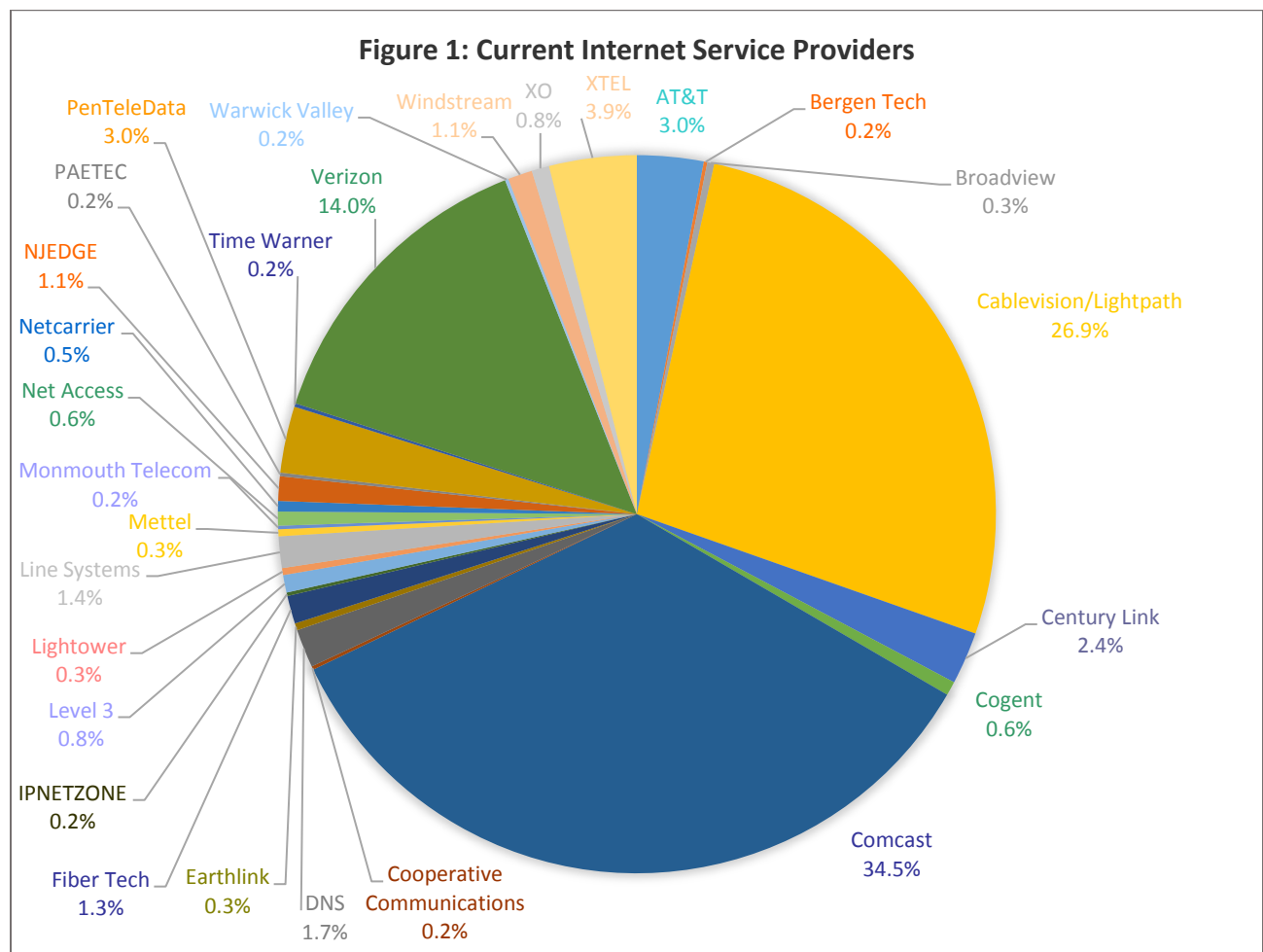
**Current State of Internet Access**

Before explaining the results, it is important to set a benchmark. According to the most recent statewide NJTRAx data,<sup>1</sup> New Jersey school districts are purchasing 167 megabits per second (Mbps) of Internet

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<sup>1</sup> NJTRAx data contains self-reported information from districts across New Jersey. Dellicker Strategies and METIRI Group, the NJTRAX consultant, reviewed the reported data, corrected obvious errors and removed questionable data points. To derive benchmark pricing, Dellicker Strategies used a 60% statewide average E-Rate discount.

access for \$5,651 per month on average, before E-Rate discounts. Most districts in New Jersey purchase Internet access independently district-by-district, which segments the market and keeps prices high. Figure 1 below shows the market share of current Internet service providers statewide according to NJTRAx. Three quarters of districts receive their primary Internet access from three companies: Comcast (34%), Cablevision/ Lightpath (27%) and Verizon (14%). The rest of the schools are serviced by two dozen other providers, none of which achieve five percent market share.



**Request for Proposals Results**

The RFP aimed to aggregate the millions of dollars in Internet purchases among New Jersey schools to reduce pricing and improve service. Such cooperative procurements often achieve volume discounts on price and help schools use their buying power more effectively to benefit taxpayers and students alike.

For the RFP, services were organized into three main categories: broadband access, intra-district connections and regional WANs with dedicated Internet service.



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### **Broadband Access**

Ninety districts sought broadband access in the RFP as a low-cost way to receive Internet access. Among the broadband districts, 48 were awarded to Comcast (cable modems), 32 to DNS (fiber) and three to PenTeleData (cable modems). Seven districts did not receive bids for broadband service, but Dellicker Strategies intends to work with them independently to secure access if they need it now through March. The total value for all sites in this category of service is \$526,000 for the duration of the RFP term.

### **Intra-District Connections**

Many districts deliver Internet access to multiple buildings by securing a single circuit to their main district location (a hub-site) and distributing the Internet to other school buildings via leased fiber. The RFP allowed districts to include their own intra-district networks in the RFP per their specifications.

Overall, 763 schools in 116 different districts received viable proposals per the RFP. The successful providers were Comcast (40%), Sunesys (33%) and Lightpath (25%). XTEL also received several buildings. Sunesys, a company with roots in Philadelphia, will build a new fiber infrastructure to service the schools as it expands across New Jersey. The total value of awards is \$39 million for the full contract term.

### **Regional Wide Area Networks and Internet Access**

The main effort of the RFP was to create regional WANs to aggregate school telecommunications demand and purchase Internet in bulk at reduced prices. In addition, regional WANs could be used by the state, educational service agencies and school districts to distribute educational content and applications via secure private networks. The RFP organized districts into four regions:

- Northwest: Sussex and Warren
- Northeast: Bergen, Essex, Hudson, Morris and Passaic
- Central: Hunterdon, Mercer, Middlesex, Monmouth, Somerset and Union
- South: Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem

#### **Northwest:**

A company new to New Jersey earned the business in the Northwest- Affiniti. The company specializes in helping rural Internet customers get better service. This is especially applicable to those districts in Sussex and Warren counties that historically have struggled with fewer service options and higher prices. Affiniti's proposal offers 100 Mbps or 1,000 transport to 21 districts in northwestern New Jersey.

#### **Northeast:**

Comcast and Lightpath will split the districts in the Northeast, serving all sites with 100 percent fiber. The Northeast has the largest schools and highest bandwidth demand, and these two vendors are offering an average Internet bandwidth of 1,038 Mbps per district to the 117 participating organizations.

#### **Central:**

Comcast and Lightpath also split the Central region. Both vendors will distribute bulk Internet directly to the districts according to their specifications, allowing educational service agencies to deliver content



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over the regional network without being a point of failure for Internet access. The 92 districts and school organizations in the Central region will receive an average Internet bandwidth of 781 Mbps.

**South:**

Comcast earned the award in the South by providing an average amount of Internet access of 404 Mbps to 104 districts and school organizations. Districts generally are smaller in southern New Jersey and some are hard to serve. However, Comcast is able to provide nearly ubiquitous coverage with 100 percent fiber in an eight-county regional WAN.

**Statewide:**

With this RFP, districts across New Jersey should see significant improvements in the value of their Internet connections. As measured by cost per unit of Internet bandwidth (\$/Mbps), the average MRESC cooperative price for regional WAN districts is 86 percent less than the average current reported price for districts statewide.<sup>2</sup> The total value of WAN and Internet awards exceeds \$41 million over five years.

The MRESC RFP also sought pricing for statewide network transport, essentially circuits to connect each of the four regional networks together. The MRESC received good proposals to do this, however the evaluation committee thought there would be more affordable alternatives to consider. For now, no awards have been made for statewide network connectivity. Altogether, the MRESC cooperative procurement represents more than \$80 million telecommunications contracts for New Jersey schools.

**Next Steps**

Districts need to review the award letters they received from the MRESC and verify the services they seek to buy. Upon expressing intent to move forward, the MRESC will deliver the school information to its respective vendor, who will contact the district and initiate the next step in the service order process.

Educational organizations who are members of the MRESC cooperative purchasing organization but did not submit service order forms to participate in the consortium RFP still may be able to purchase services through this RFP. They also received a letter and should respond in the same manner.

**Bottom Line**

This cooperative purchasing initiative has established significant value for New Jersey schools. If regional WAN districts follow-through and purchase the services that were awarded, average Internet bandwidth will increase from 167 Mbps statewide to 722 Mbps per district and monthly costs will decline from \$5,651 to \$2,451. **That's a 323 percent increase in bandwidth for a 57 percent decrease in price.**<sup>3</sup>

In order to achieve these improvements, districts and school organizations need to stick together and execute the consortium procurement process. If too many drop out, awarded vendors may not be able to keep current prices and the consortium could unravel. The vendors have demonstrated their ability to deliver high-quality service for an affordable price. Now, it is up to the schools to deliver the contracts.

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<sup>2</sup> For districts statewide reporting both bandwidth and price information in NJTRAx, the average price is \$59 per Mbps/month. For WAN and Internet schools in the MRESC cooperative, the average is \$8.34 per Mbps/month.

<sup>3</sup> Baseline data is from information reported by districts statewide as of November 2014 in NJTRAx. Comparison data is from the actual RFP awards to districts seeking regional WAN and dedicated Internet access.