

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on March 19, 2008 in Room 123-S of the Capitol.

All members were present except:
Ruth Teichman- excused

Committee staff present:
Jennifer Thierer, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:
Brad Williams, Kan-ed
Dick Veatch, Pioneer Communications
Jay Allbaugh, Cox Communications
Karin Dougherty

Others attending:
See attached list.

To read testimony submitted by conferees go to
<http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee>.

HB 2315--Home inspectors competency and financial responsibility

Chairperson Brownlee announced that Brad Williams would be giving an overview of Kan-ed in the meeting this morning. She called on Kathie Sparks, Legislative Research, to give a brief overview of the establishment of the Kan-ed Network. Ms. Sparks presented written copy (Attachment 1) which can be found in its entirety on the link listed above.

Chairperson Brownlee introduced Brad Williams, Executive Director, Kan-ed. Mr. Williams presented a written powerpoint testimony (Attachment 2) which can be found in its entirety on the link listed above.

Upon the conclusion of Mr. Williams' testimony there was a question and answer session with the Committee. Customer premises equipment and the video grants were discussed. The AT&T contract was also discussed with Mr. Williams stating AT&T is bringing T-1 to Kan-ed and it is absolutely within the statute guidelines. Mr. Williams also noted that Kan-ed customers will not be able to keep their own carrier to connect to the Kan-ed network. They will have to do that through the AT&T network.

Chairperson Brownlee introduced Mr. Dick Veatch of Pioneer Communications to give his testimony regarding his concerns with the RFP and awarding that to AT&T. Mr. Veatch presented written testimony (Attachment 3) which can be found in its entirety on the link shown above.

Before introducing Jay Allbaugh, Cox Communications, to give his testimony regarding his concerns with the RFP and awarding that to AT&T, Chairperson Brownlee stated there would be questions and answers after the completion of the testimonies. Mr. Allbaugh presented written testimony (Attachment 4) which can be found in its entirety on the link listed above.

Chairperson Brownlee introduced Karin Dougherty, Sunflower Broadband, to give her testimony regarding her concerns with the RFP and awarding that to AT&T. Ms. Dougherty presented written testimony (Attachment 5) which can be found in its entirety on the link listed above.

Upon the conclusion of Ms. Dougherty's testimony there was a discussion with the Committee, Mr. Williams and the three parties which testified. The RFP was discussed in great length. The Committee has concerns that Kan-ed is not compliant with statute; and is putting themselves in a position of competing with private enterprise which was not the original intent of the Legislature for Kan-ed. Senator Emler stated that the

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on March 19, 2008 in Room 123-S of the Capitol.

Committee worked hard in 2001 and met with various providers in order to establish Kan-ed. He stated the original intent for Kan-ed was to connect hospitals, libraries and schools throughout the state and in doing so, not to compete with companies of the state. Senator voiced his he fears that is where Kan-ed is headed with the new RFP. Senator Wagle also voiced her concerns which are the same as Senator Emler's. Mr. Williams stated that he feels he is within the guidelines of the statute and does not think he has done anything inappropriate. The discussion continued along the same lines. Chairperson Brownlee stated there needed to be more discussion to resolve these issues in order for Kan-ed to move forward.

Chairperson Brownlee announced to the Committee they would be working on **HB 2315** in tomorrow's meeting and adjourned the meeting at 9:30 a.m. with the next scheduled meeting to be March 20, 2008 at 8:30 a.m. in room 123 S.

Senate Commerce Committee

Guest List

Date: March 19, 2008

Brad Williams	Kansas Board of Regents
COX BUFFINGTON	KAUREN
TIM HANE	ATT
D. Ann May	Pioneer Smith, + Assoc.
Erica McARTH	KAREN
Jay Kramer	
MARK Boenigst	Kansas Hospital Assn.
Jennifer Finkley	Kansas Hospital Association
Linda Johnson	RURAL Telephone
Scott Shoemaker	Calence
Catherine May	Pioneer Comm.
Richard Veach	Pioneer Comm.
Shirley Allen	Independent Telco
Austin Hayden	Hein Law Firm
Ellen Rightmaier	DISC
Tim Grogan	ATT
Wileen Jernison	COX
Way Allbaugh	COX
Scott Schnieder	COX
Sue Jenko	EMBARQ
Kevin Dougherty	Sunflower Broadcast
Denise Moore	DISC / CITO
Michael Aldridge	KFMC

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March 19, 2008

To: Senate Committee on Commerce
From: Kathie Sparks, Principal Analyst
Re: Establishment of the KAN-ED Network

During the 2001 Session, Substitute for HB 2035 was enacted and established a broadband technology-based network called KAN-ED for schools, libraries, and hospitals. The bill included the following provisions:

Participating Schools, Libraries, and Hospitals. Eligible network participants include: school districts; school district interlocal cooperatives; school district cooperatives; accredited nonpublic schools; Kansas independent colleges; the Regents universities; Washburn University; community colleges; technical colleges; area vocational schools; area vocational-technical schools; public libraries; regional library systems; and licensed Kansas hospitals.

Purpose of the KAN-ED Network. The stated purpose of the KAN-ED network is to provide for a broadband technology-based network to which schools, libraries, and hospitals may connect for broadband Internet access and intranet access for distance learning.

Restrictions on the KAN-ED Network. The network was to be assembled from facilities owned or constructed by the private sector. Moreover, existing contracts may not be abrogated for telecommunications services and Internet services provided to schools, libraries, and hospitals through this network. The bill also prohibited the network from offering switched voice access and transmission of voice over Internet or voice over Internet protocol (except to the extent needed to provide interactive two-way video service).

Implementation Date. Access to the network was to be provided to not less than 75 percent of all participating schools, libraries, and hospitals by July 1, 2004.

Governance of the KAN-ED Network. The Kansas Board of Regents was to have ultimate responsibility for governance of the network and was to be responsible for contracting for the creation, operation, and maintenance of the network. These contracts was to be let by competitive bidding according to state statute. The Board of Regents could appoint advisory committees as needed. These committees should include both communication service providers and persons with expertise in various network-related matters.

Responsibilities of the Board of Regents.

The Board of Regents must:

- Develop a plan to ensure that all institutions participating in the network have broadband Internet access and access to distance learning. The Board must

Senate Commerce Committee

March 19, 2008

Attachment 1-1

determine the standards for both quality and affordability. The Board could request and receive assistance from any participating institution, the Kansas Corporation Commission, any other state agency, or any affected telecommunications or cable provider to gather the necessary data to implement such a plan. The Board must develop a methodology for updating and validating any data collected for periodic revisions of such a plan and standards.

- Establish technical standards for network operation and maintenance.
- Determine the appropriate method of monitoring the network's operations and the appropriate method or methods of increasing capacity on the network to accommodate changes in the demands of participating institutions.
- Identify any potential regulatory impediments to implementation of the network and propose measures to address those impediments.
- Assess the need of network participants for full-motion video connectivity. Based on its findings, the Board could develop a plan to provide such connectivity. The plan could require users of such connectivity to bear part of its cost.
- Receive state appropriations and gifts, donations, contributions, and grants from any source. These moneys will be credited to the KAN-ED fund established in the bill. Expenditures from that fund will be subject to appropriations.
- Adopt rules and regulations to implement and administer the network.

Reporting Requirement. The Board must publish an annual report, to be presented to the Legislature, Governor, and the Department of Education. This report must address the Board's operations and transactions concerning the network and include recommended changes.

Funding

Under the original legislation, a maximum of \$10 million per year was available from the Kansas Universal Service Fund (KUSF) to finance KAN-ED. However, that authorization expired on June 30, 2005 at which time the KAN-ED network would have to be financed from the State General Fund. The 2005 Legislature enacted HB 2026, which phased out financing of KAN-ED from the KUSF over the next four fiscal years. The bill required exploration of possible consolidation of KAN-ED with two other statewide networks. The bill required providers of voice over internet protocol (VoIP) to direct 911 calls to the appropriate public safety answering point (PSAP). Finally, the bill made PSAPs that were not political subdivisions of the state ineligible to receive funds distributed under the Wireless Enhanced 911 Act.

The maximum amounts of KUSF funding available for KAN-ED established in the bill are as follows:

- FY 2006, \$10 million
- FY 2007, \$ 8 million

- FY 2008, \$ 6 million
- FY 2009, \$ 5.5 million

Authorization for use of KUSF moneys for KAN-ED expire at the end of FY 2009. When KAN-ED financing is shifted to the State General Fund, the law requires funding of the program to be the highest priority along with Education.

KLS/kal

Kan-ed Update March 2008 V3.0

Kan-ed

Bradley S. Williams, M.S.
KBOR CIO and Kan-ed Executive Director

Senate Commerce Committee
March 19, 2008

Attachment 2-1

Our mission...

- **Kan-ed is a program under the Kansas Board of Regents.**
- **In Statute: “The purpose of this act is to provide for a broadband technology-based network to which schools, libraries and hospitals may connect for broadband internet access and intranet access for distance learning. For that purpose, the state board of regents shall contract in accordance with this act for the creation, operation and maintenance of such network, to be known as the KAN-ED network.”**
- **Kan-ed Mission: “Kan-ed will be the leader in facilitating statewide technology solutions for Higher Education, Hospitals, K-12 schools, and Libraries. Kan-ed will provide resources that enable its members to collaborate, educate and enhance their information delivery services to ensure our members become part of the global technology environment.”**

So, we....

- **Provide access to advanced distance learning & video conferencing technologies and services.**
- **Assist our members with high-speed internet and Kan-ed private network access**
- **To serve as an aggregator of services and statewide contracts for our members.**
- **Provide grants and subsidies for VIDEO and local area network equipment.**
- **Provide access to educational and research databases.**
- **Provide an authenticated portal to access services.**
- **Provide 1-800 E-rate and Rural Health support of libraries, school districts and hospitals**

Kan-ed

- **Funded from a combination of State General Fund (SGF) and Kansas Universal Service Fund (KUSF).**
 - Governor's FY2009 Budget recommendation is \$8 million KUSF / \$2 million SGF.
 - Kan-ed statute calls for \$5.5 KUSF and \$4.5 SGF in FY2009.
- **A unique public/private partnership**
 - Kan-ed leases 100% of its circuits and network access points from telecom providers.
- **Part of most advanced research networks in world**
 - Kan-ed provides its members access to Internet2 services.
- **Kan-ed Annual Report sent to Legislators on January 15th.**

Kan-ed Advisory Committee

Jim Bingham	Kansas University Medical Center
Kathy Gosa	Kansas State Department of Education
Ravi Pendse	Wichita State University
Cheryl Semmel	United School Administrators of Kansas
Jennifer Findley	Kansas Hospital Association
David Rosenthal	Kansas Telecommunications Industry Association
Doug Penner	Independent Colleges Association
Chris Modellmog	Kansas Association of Interactive Distance Education (KAIDE)
John Federico	Kansas Cable Telecom Association
Catherine Moyer	State Independent Telephone Association
Christie Brandau	State Library of Kansas
Tom Erwin	Butler County Community College
Carol Barta	Kansas Library Association

Empowered Desktop Screenshot

Education Desktop - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://kaneddemo.learningstation.com/portal/index/portal/e3f1b56576377ea1064b6a4e91462076/

Education Desktop School Website Help Settings Logout


KanEd Training Demo

Welcome, Kaned Guest. You are logged into KanEd Training Demo. ([not you?](#))

Homepage Teacher Pages Teacher Tools Backpack Discussion

Your applications

The Customized Desktop of



Assessment Tools - TB4

LS TB LS Test Builder (version 4)

School Bookmarks

- ★ [Starfall Primary Reading](#)
- ★ [Northeast web site](#)
- ★ [SWKLS](#)
- ★ [Apple site](#)
- ★ [Meeting Wizard](#)
- ★ [Kan-ed](#)
- ★ [Teachers First](#)
- ★ [Vivisimo](#)
- ★ [Three Lakes Ed Coop](#)
- ★ [Math Drill](#)

My Bookmarks

[edit](#)

You do not have any personal bookmarks. Click the edit button to add bookmarks to this block

Productivity Tools

Web Search

Google
Safe Search

Google Search

Academic Search and Alignment

Kansas Education Resource Center (KERC)

netTrekker d.i., Kan-ed

Genealogy and Historic Sources

Heritage Quest

Video Conferencing and Web Cast Tools

Marratech

Kansas Historical Archives

Kansas Digital Library

Territorial Kansas

School News

Welcome to the Empowered Desktop by Kan-ed. Enjoy the resources!

Virtual Inclusion Resources

Connected Kansas Kids

Online Reference Tools

ProQuest

SIRS

Thomson Gale

WorldBook Kan Ed

Grants and Contests

Grant Wrangler

On Line Tutoring

Homework Kansas

Done

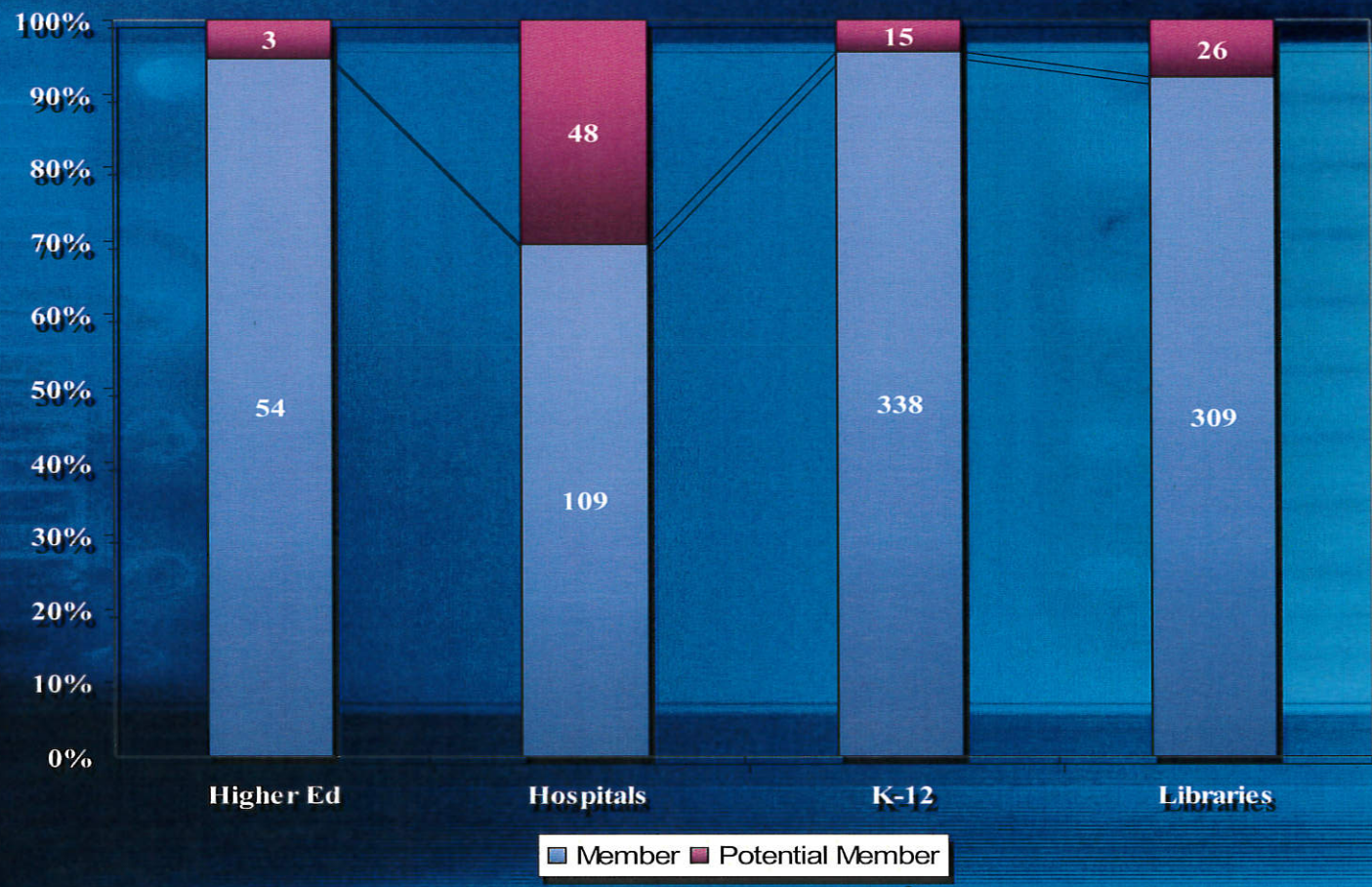
Kan-ed Empowered Desktop

- LearningStation Test Builder
- Education Backpack (25mb storage per user)
- netTrekker DI search engine
- Thomas Gale
- SIRS
- Worldbook
- Learning Links Tools
- HeritageQuest
- Kansas Digital Library
- Territorial Kansas Database
- Kansas Education Resource Center (KERC)
- ALTEC Services (4kids, 4Teachers)
- ProQuest Nursing Journals
- Grant Wrangler
- Connected Kansas Kids
- Statewide purchasing discounts on other popular software and tools
- Single-sign on for other applications added to the Kan-ed desktop

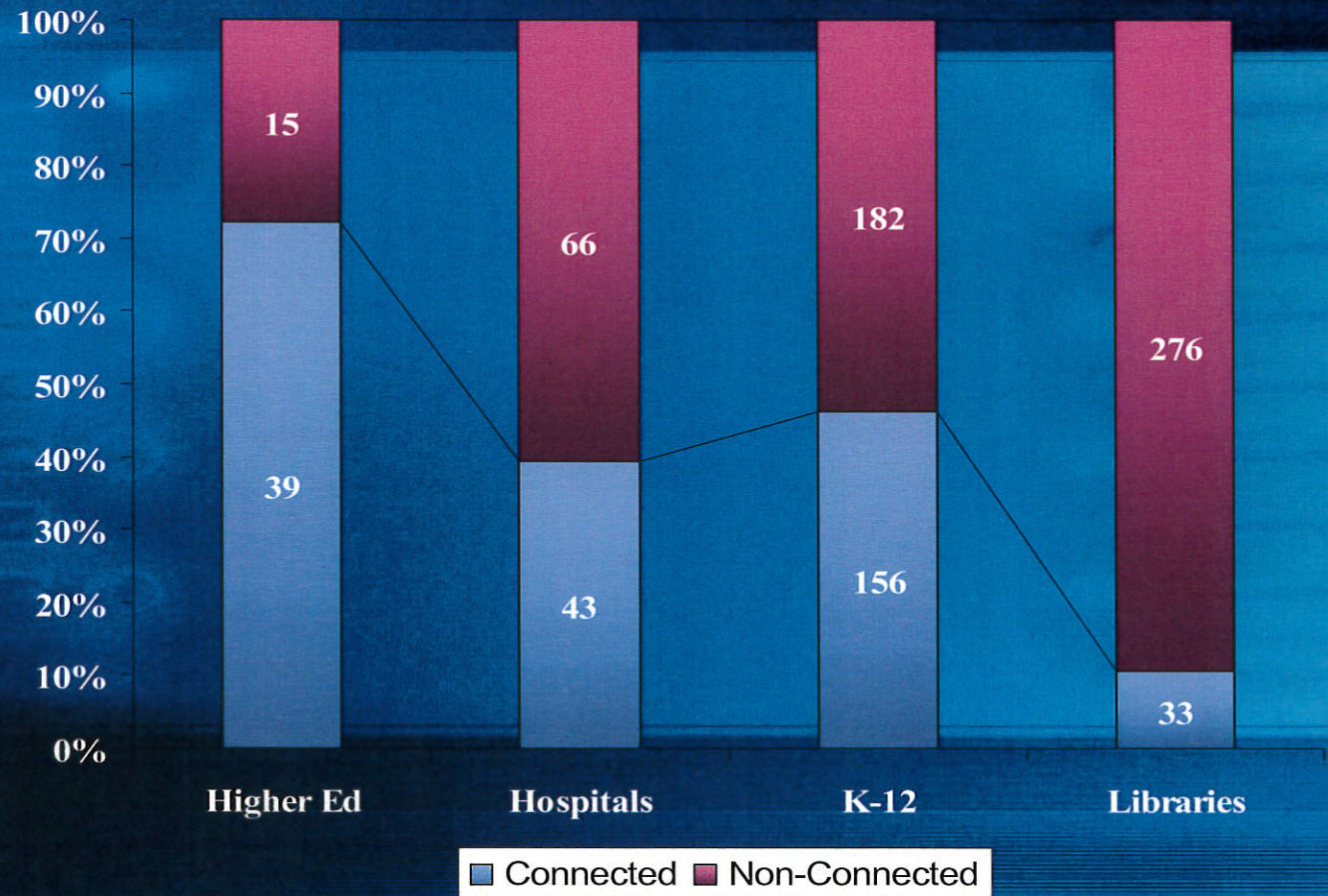
Kan-ed Connected Member Services

- **Kan-ed Empowered Desktop Authenticated Portal* (385,000 subscribers)**
- **Educational and Research Databases (through Kan-ed Empowered Desktop or State Library card)**
- **Broadband Internet Subsidy Program**
- **KanGuard Filtered Internet Service (CIPA Compliance)**
- **Emergency Management Resource – (EMResource)**
- **E-rate 1-800 telephone support**
- **Access to Connected Kansas Kids Programming**
- **Multipoint Control Unit (MCU) Access**
- **Renovo Scheduled Video Conference Services**
- **Network Operation Center (NOC) Support 24/7**
- **Access to a private, secure network for video and data services**
- **Access to Internet 2 content and services**
- **Enhancing Technology Grant Program**
- **Sponsored Education Group Participant (SEGP) paid for by Kan-ed for Internet 2 access**

Kan-ed Membership and Potential Membership Disaggregated by Constituent Group (808 of 899)



Kan-ed Connected and Non-Connected Members Disaggregated by Constituent Group (280 connected)

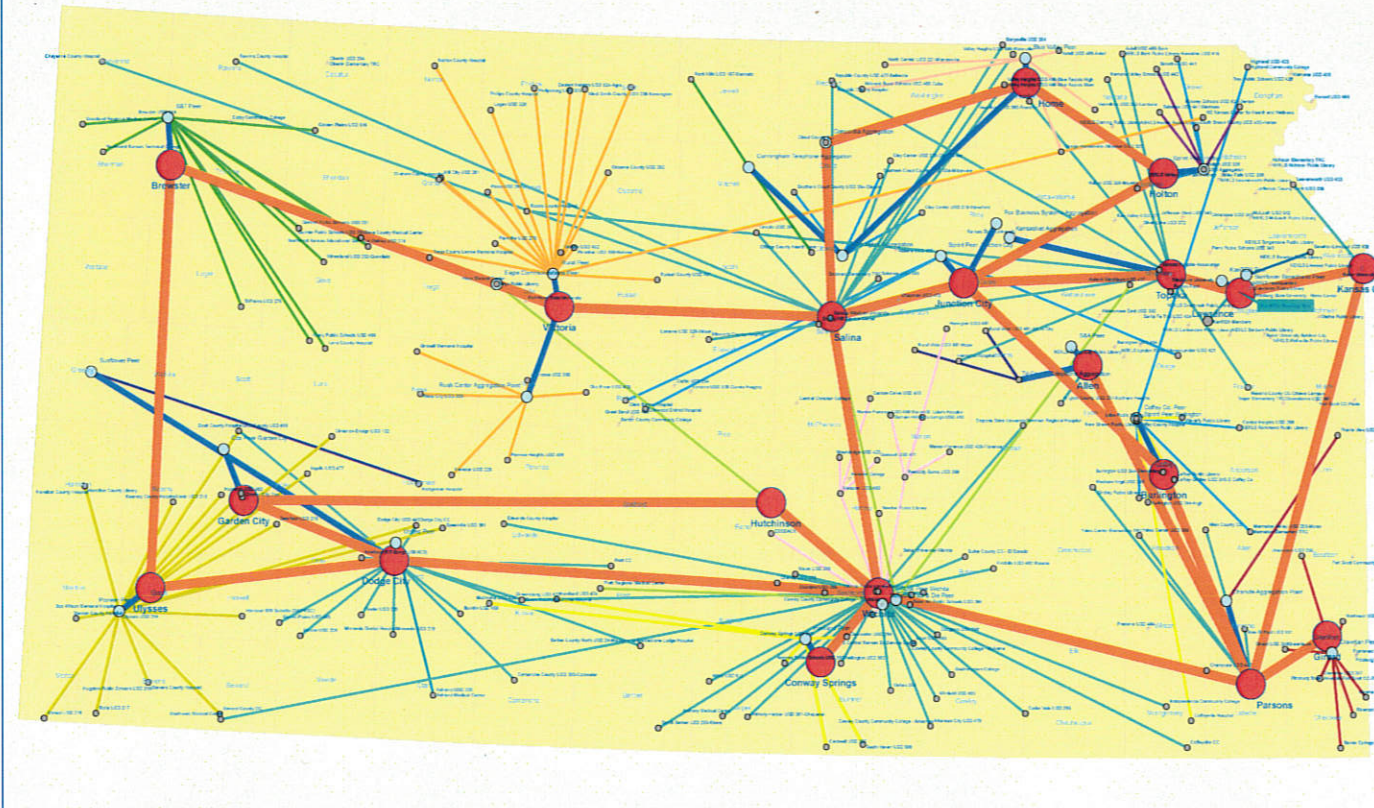


Current Kan-ed Infrastructure

Kan-ed

Version 100506

- Network Access Points
- Aggregation/Peering Point
- Connected Members
- KanREN Members
- Blue Valley
- Coffey Co.
- Cox Communications
- CrawKan
- Eagle Communications
- Golden Belt
- Haviland Telephone
- JBN
- KanREN
- Midwest Connections
- Network Tool & Die
- NCKCN
- Pioneer Communications
- Rural Telephone
- S & A Telephone
- S & T Telephone
- Southwestern Bell
- Sprint
- Sunflower
- Sunflower Broadband
- Telcove
- Tri-County
- Twin Valley



CONNECTED MEMBERS

Adrian USD 433	Beverly USD 234 Elementary	Carney Springs USD 794	Chaney USD 486	Hewitt USD 463	Lane County Hospital	Muhlenberg USD 224	Neville Valley Schools USD 442	Parkville USD 768	Seawick USD 611
Allen County CC	Beverly USD 234 High	Carroll County Community College - Abilene	Chaney USD 486	Hickman USD 414	Lansdowne Public Library	Neville Valley USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Seneca USD 734	Shawnee USD 214
Atchison USD 232	Beverly USD 234 Middle	Carroll County Community College - Abilene	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison Regional Center	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison USD 201	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison USD 201	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison USD 201	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison USD 201	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214
Atchison USD 201	Butler County USD 201	Carroll County Community College - Burlington	Chaney USD 486	Highland USD 213	Lansdowne USD 442	Neville County USD 224 Jayton Heights	Neville County USD 224 Otwell Center	Shawnee USD 214	Shawnee USD 214

Kan-ed Update

- In 2007 vendors announced nationally that older ATM networks (current Kan-ed network) were going to be de-commissioned by 2008/2009
- Keeping these networks in place will be cost prohibitive (one contract goes from \$4510 to 24k per month for ONE circuit)
- LPA audit indicated that Kan-ed should maximize grants to help members with local loop costs to connect to the Kan-ed network
- Newer Layer 3 routed technologies on commercial grade business class networks are available in Kansas. Successful implementations in other states include Missouri, California, Oklahoma, and others.
- Legislative pressure for consolidation efforts between statewide networks.

Kan-ed Update (continued)

- **Department of Administration (DISC/KanWIN) RFP for a new consolidated statewide Layer 3 network.**
 - Kan-ed and KanWIN network contracts were up for renewal.
 - Newer technologies were available (Layer 3).
 - Technical RFP scope of work was co-developed by DISC, Kan-ed and Calence, LLC (a neutral third party).
 - Kan-ed followed all State of Kansas and Federal e-rate program procurement guidelines.

Kan-ed Update (continued)

- **Four vendors bid:**
 - AT&T, COX, Hughes Satellite, Verizon
- AT&T had the technically superior solution and the most cost effective solution. The vendor responses were also evaluated by Calence, LLC., and by KanREN (for Kan-ed). Calence and KanREN both recommended the AT&T solution.
- Final negotiations were completed and contracts were signed in time to meet the E-rate window (February 7th) so Kan-ed can e-rate the pilot.
- Pilot program will connect 15-20 Kan-ed sites and 15-20 additional KanWIN sites to validate the solution.
- Contract language states that if the pilot is unsuccessful, then the contract is null and void with no cost to the State of Kansas.
- Service credits for delays or network outages or downtime.

Kan-ed Update (continued)

- **The pilot planning/engineering started in March 2008.**
- **Pilot will start August 2008 and run through December 2008.**
- **Kan-ed will develop a migration plan to work with new and existing Kan-ed connected members to get them onto the new solution.**
- **The current network will remain in place through July 2009 to continue to serve the current connected members who need more time to migrate.**

Kan-ed Update (continued)

- **Some circuits and network access points that are not necessary will be shut down to reduce costs.**
- **Kan-ed will contract with DISC (inter-agency agreement) to provide pilot program support and to establish a joint network operation center**
- **Kan-ed should finish migration of Kan-ed customers in the early Fall of 2009.**

Benefits to the New Kan-ed/KanWIN Network

- **The new network will provide several benefits:**
 - By leasing ACCESS to a business class, global, advanced private virtual network and not leasing underutilized circuits to make a statewide core network, Kan-ed will be able to focus resources on **connecting more members** and **maximizing local loop support**.
 - New solution will eliminate the need for two separate privately run backbones (Kan-ed and KanWIN) resulting in efficiencies of scale and cost avoidance in networking and network operations services.
 - Provides for a “standards-based” common network framework to which all members can connect and it is **technology agnostic**.

Benefits to the New Kan-ed/KanWIN Network (continued)

- **Maximize e-rate federal funding:**
 - Kan-ed has received **\$4.2 million dollars** from the federal e-rate program.
 - Simplify e-rate funding requests for Kan-ed Members
 - Kan-ed filing e-rate funding requests on behalf of Kan-ed members (schools and libraries).
 - Kan-ed will also work with Hospitals on the Rural Health program (e-rate for hospitals).
- **Specific Connectivity Benefits:**
 - Kan-ed will be able to provide members with high-speed T-1 access (no cost) or 3mb video (very little cost) to the private virtual network. This includes private network access **AND optional internet access** with a leased router provided.
 - We project we can connect 664 members at the cost of what the current 280 members pay for **ONLY** private network access.

Benefits to the New Kan-ed/KanWIN Network (continued)

- If Kan-ed members wish to continue receive internet from their current provider, they can.
- Members are **NOT** forced to use the AT&T internet solution from Kan-ed.
- Kan-ed members can choose to make a connection to just the private Kan-ed network (T-1 @ no cost)
- Kan-ed members can purchase higher levels of connectivity on a cost-sharing model (multiple video rooms, for example).
- Kan-ed will be able to roll out advanced services:
 - QoS for video, content filtering for Children's Internet Protection Act (CIPA) compliance and other services.
- Future Kan-ed grant programs will continue to be targeted at video solutions through Kan-ed state contracts
 - Full HD systems now start at \$6,000.

Drivers of Network Growth and Needs in Kansas

- **High-Definition (HD) Video Conferencing**
 - Less travel time
 - Travel savings
 - Not enough teachers / staff
 - Professional development and training
 - Reduces the carbon footprint (less travel)
 - Gartner Consulting lists videoconferencing technology as a “Transformative Technology” in the next 2-5 years. Kan-ed has placed Kansas ahead of the curve.
- **K-20 utilizing worldwide learning experiences**
 - Online assessments (LearningStation TestBuilder) based on State assessment standards for specific, customized quizzing and testing.
 - Physics, Math, Foreign Language, general need for teachers in rural areas (Greenbush Mandarin Chinese in Lawrence)
 - Talking with global student communities
 - Access to advanced research and education databases
 - CIPA protected access to information and resources for students, teachers and administrators.

Drivers of Network Growth and Needs in Kansas (continued)

- **Colleges and universities meeting the growing demands of:**
 - Non-traditional, adult learners
 - Professionals returning for certifications, additional degree work, specialized training
 - Students with advanced technical knowledge and requirements as they review universities for possible attendance
 - Online and distance learning having global implications
 - Research needs and large data manipulation and sending/receiving of data from other universities on research projects
 - NSF grant requirements
- **Libraries becoming the “hub” for advanced communications in their communities.**
 - Communities reaching out to other communities for information sharing and networking
 - Employers using libraries for training (Burlington Library)
 - Public internet access for library patrons
 - Access to advanced databases for research and education for the community
 - Kan-ed (KBOR) is on the new State Library Board (one focus is to maximize libraries usage of the Kan-ed network)

Drivers of Network Growth and Needs in Kansas (continued)

- **Hospitals and Health Information Exchange**
 - Secure data transfers that meet HIPPA guidelines
 - Training (CNE's and CME's)
 - Professional development (speakers and seminars)
 - Telemedicine in rural and urban areas
 - Medical outreach programs and information
 - Kan-ed and KanWIN working with KU MED on recent FCC Grant award:
 - \$1.2 million a year for 3 years to connect Kansas Hospitals to a statewide health information network.
 - Kan-ed will engage the Kansas Health Policy Authority on their recent Health Information Network Initiative request by the Governor
 - KHPA will setup standards for data transfers and data exchange parameters
 - Hopefully the data will run over the new statewide layer 3 network (Kan-ed / KanWIN)

Kan-ed Staff



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Senate Commerce Committee
Kan-ed Comments
Richard K. Veach, General Manager and CEO
Pioneer Communications
March 19, 2008

Good morning Madam Chair and members of the Committee. I'm Richard Veach, General Manager of Pioneer Communications, which is headquartered in Ulysses, Kansas. I am speaking on behalf of the Kansas rural telecommunications companies.

I am here today to visit with you about Kan-ed. Let me unequivocally state at the outset that we are philosophically in favor of the concept of providing high-speed Internet access and Kan-ed access to schools, libraries, and hospitals in Kansas. We are not opponents of a properly managed Kan-ed network, nor properly administered Kan-ed funding. However, we do not deny that we have serious concerns with what appears to be the changing, or really, abandoning, of the original Kan-ed principles and the scope of the original program.

Historically speaking, the rural companies' support for the Kan-ed program was based entirely on fundamental policy understandings. These understandings were that the State of Kansas would not, through Kan-ed, compete with private enterprise; that Kan-ed would not impair contracts that current providers had with schools, libraries and hospitals; and that Kan-ed would not provide voice services.

The direction in which Kan-ed appears to be headed is to allow the State of Kansas, through Kan-ed, to compete with private enterprise by reselling telecommunications and commercial Internet services. It would also impair current providers' contracts with schools, libraries and hospitals, by forcing Kan-ed members to use one particular provider to connect to Kan-ed, a provider that in most cases is not currently supplying the Kan-ed connection. Impairment would also be realized with the Kan-ed provision of free commercial Internet access, as current providers' contracts to provide commercial Internet access to schools, libraries and hospitals could vanish. Additionally, a new consolidated network with Kan-ed and KanWIN could allow for voice services to traverse the network, giving rise to the possibility of voice provision to schools, hospitals and libraries.

The rural telecommunications companies have serious reservations as to whether this change in direction of Kan-ed would have a resulting benefit to rural Kansas. While we have long supported Kan-ed's original objectives for the benefit of our communities, we cannot support implementation that threatens to erode cost recovery and benefit one selected provider. It appears Kan-ed is now seen as a vehicle for a variety of functions

Senate Commerce Committee
March 19, 2008

Attachment 3-1

never intended by its early advocates, and both the additional purposes and proposed implementation tend to undermine Kan-ed's original principles.

I thank you for affording me the opportunity to talk with you today.

TESTIMONY OF RICHARD VEACH OF PIONEER COMMUNICATIONS
BEFORE THE KANSAS HOUSE UTILITIES COMMITTEE
MARCH 13, 2000

Good morning Mr. Chairman and members of the committee. I'm Richard Veach General Manager of Pioneer Communications, which is headquartered in Ulysses. Pioneer Communications provides local service to 17,000 telephone access lines in all or parts of nine counties in southwest Kansas. Our company also furnishes Internet service to more than 6,300 users and has 8,400 cable television customers. I am speaking on behalf of the thirty-six telephone companies referred to in the Kansas Telecommunications Act of 1996 as "rural telephone companies". The definition of a rural telephone company in the Kansas Act is a telephone local exchange carrier with fewer than 20,000 access lines. This is every telephone company in the state with the exceptions of Sprint and Southwestern Bell.

I am here today to visit with you about Substitute for House Bill No. 2591. Let me unequivocally state at the outset that we are philosophically in favor of the concept of providing high-speed Internet access to schools and libraries in Kansas. It has come to our attention that some have been attempting to paint us as opponents of this legislation. This is not true. No entity in the state has done more than the rural companies to bring broadband services to schools and others. A cursory survey that I performed on Friday afternoon of just six rural companies yielded the following information:

The Cunningham Telephone Company in Glen Elder is presently working to have high-speed Internet access installed by the beginning of the fall term in all the school districts that it serves. They will be offering this service at no charge to the schools.

Rural Telephone Service Company that is headquartered in Lenora has, for a number of years, provided interactive video to twelve schools in northwest Kansas. In addition to this, they are in the process of deploying digital subscriber line service throughout their service area. While this bill doesn't pertain to hospitals, it should be noted that Rural is providing ISDN services for the hospitals in WaKeeney, Quinter and Hill City and is working toward the same kind of arrangement for Phillips County. These hospitals are connected with the Hays Regional Medical Center, which in turn is connected with the KU Med Center.

The Southern Kansas Telephone Company in Clearwater is providing fast Internet connections and, in some cases, wide area network connectivity to the following school districts:

- USD 264 in Clearwater
- USD 462 in Burden
- USD 471 in Dexter
- USD 283 in Longton
- USD 492 in Rosalia
- Clearwater Public Library
- Grenola Public Library

My company, Pioneer Communications, installed the first interactive educational video system in the state. Today, in partnership with three other telephone companies, we are providing ITV video services to two community colleges, Fort Hays State University, one special education cooperative, an educational service center and thirteen school districts.

In 1995, we began providing fast Internet service to schools in our service area for a nominal fee. We are presently providing T-1 speed Internet access to the following schools and libraries:

- USD 216 in Deerfield
- USD 210 in Hugoton
- USD 214 in Lakin
- Lakin Public Library
- USD 209 in Moscow
- USD 494 in Syracuse
- USD 217 in Rolla
- USD 210 in Ulysses
- Ulysses Public Library

In addition, we provide Internet service to the Holcomb School District and the Garden City High School under very favorable terms. Both of these schools are outside our telephone service area.

Our neighbors with United Telcom in Dodge City are providing dedicated Internet access to the schools in Hanston, Ingalls, Montezuma and Spearville. They also partner with us in providing ITV to the schools in their service area.

Our friends at Craw-Kan Telephone Cooperative in southeast Kansas have installed high-speed Internet connections for the following schools and libraries:

- Arma
- Columbus
- Cherokee

Uniontown
Girard
Girard Library
Riverton
Galena
Baxter
Greenbush
Pleasanton

They also provide a high-speed connection for the Girard hospital.

Given sufficient time, I could poll the other thirty rural companies in Kansas and this list of schools, libraries and hospitals would grow much larger. The purpose of this short review of high-speed services presently being offered is not to “blow our own horn” but to establish our credentials. We are not some self-aggrandizing “Johnny come lately” who is attempting to jump on the broadband-to-schools bandwagon. We were the original teamsters of this bandwagon who pioneered the provision of these services for rural Kansas for no other reason than it was the right thing to do for our communities.

This is something that we did of our own volition without guidance or direction from any legislative body or regulatory agency. Any attempt to characterize us as obstructionists where this bill is concerned is just plain wrong. The services that we provide today would be complimentary to the services that KAN-ED would provide.

We do not deny that we have some concerns about this bill. We also have suggestions about how to improve the bill. Please do not mistake honest disagreement over how to attain this bill’s objectives with obstruction. Nothing could be further from the truth.

Our concerns are few and could be addressed with the addition and deletion of a few lines of text from the original House Bill 2591.

First, it would seem reasonable that the bill contain a simple statement that the State of Kansas will not, through KAN-ED, compete with private enterprise. DISC has said that this is not their intent so let’s just say that in the bill.

Second, some of the rural companies have agreements in place for the provision of these services. In my company’s case, these are “handshake” kinds of arrangements but some rural companies have actual agreements and it isn’t right that they should be superseded. Also, KAN-ED should not construct telecommunications facilities that duplicate those already in place. DISC has said that this is not their intent so let’s just say that in the bill.

Third, having KAN-ED provide a discounted long-distance service is unnecessary. Mechanisms currently exist for schools to aggregate long distance if they wish without depriving the local exchange carrier of the 1+ long distance traffic. We shouldn't allow KAN-ED to contribute to the killing of the "goose that lays the golden egg", the local telecommunications company that has been providing discounted or free Internet access to schools and libraries.

Fourth, we believe that KAN-ED should be required to submit a public report periodically that identifies the telecommunications facilities that it is utilizing and for which Kansans are paying. This would provide legislative oversight and a system of checks and balances.

I ask that you consider crafting the bill in such a manner as to address our concerns. Our suggestions in no way violate the spirit and objectives of the bill. I thank you for affording me the opportunity to talk with you today.



Senate Commerce Committee
Kan-ed Testimony
Jay Allbaugh, Vice President of Government and Public Affairs
Cox Communications
March 19, 2008

Madam Chair, Co-Chair and members of the committee, thank you for holding this meeting and allowing me the opportunity to present our views regarding Kan-ed. Cox Communications was one of the first providers to support the concept of Kan-ed. We provided cash for the initial research into the structure of Kan-ed and have since dedicated significant amounts of our private capital to build last mile connections to new Kan-ed members.

Cox placed a value on Kan-ed because the Legislature told us they valued a competitive market place. It has been said by many, "No issue ever dies in the Capitol, issues merely wait for a more opportune time to re-emerge." Kan-ed is no different. I sit here today; only seven years after the passage of Kan-ed, and we are on the verge of impairing not only private contracts but also potentially impairing private sector investment in new technologies.

We support connected learning, but we will not support giving any company exclusive access to an entire market sector. It is March 19 and this is the first time any policy committee has heard Kan-ed is ready to become the largest business sector re-seller of our competitor's product.

Cox bid on the 30 day RFP last December. We have previously supplied a portion of the Kan-ed backbone and believed we could supply a state-wide network. During the bid process we asked if the system should be designed to allow multiple providers to interconnect to the system. The answer we received was "interconnections would be discouraged." Our engineers believe there is no technical reason interconnections could not be allowed. Market protection and financial considerations are the only remaining explanations.

Two years ago, in this same Committee, the Board of Regents, Secretary of Administration, and the Kansas Research and Education Network submitted a consolidation report that stated, "Changes in policy, regulatory and contract environments will be necessary to enable consolidation..." the report goes on to state, "Statutory

Senate Commerce Committee

March 19, 2008

Attachment 4-1

inconsistencies, contract restrictions and concerns about competition with private industry act to inhibit collaborative efforts between the networks.”

With the exception of blatant disregard, may I ask, what, if anything, has changed?

I can understand why the Kan-ed director would try to find more certain ways to fund the program. However, the direction they have recently taken violates both the spirit and statutory prohibitions put in place in 2001. For the sake of argument, if the current statutory language prohibiting the government from entering the market place is not strong enough, I would ask the Committee to consider additional language specifically addressing the following;

- 1) Further prohibit the State or any State agency from selling or re-selling telecommunications and commercial internet services;
- 2) Require universal Kan-ed interconnections rights for all service providers; and
- 3) Require each Kan-ed connection be competitively bid.

Kan-ed continues to work toward fulfilling its mission to drive connectivity deeper into our communities. To change course and take the return on investment of private risk capital out of one companies’ pocket and put it in the governments’ pocket falls short of a “Kansas Solution.”

For the record, Cox has no interest in competing against the government.

Thank you for this opportunity to present our perspective.

Karin Dougherty
Sunflower Broadband
Director of Business Development & Corporate IT
March 19, 2008

While we understand that having a single network provider for the Kan-Ed network may create some efficiencies, the problems certainly outweigh the benefits. The proposed network design will force many members to downgrade their service or abandon the Kan-Ed network altogether. There are providers across Kansas, including rural areas, offering more advanced services than the new Kan-Ed network will be able to provide. Our customers have expressed concerns that it will meet their needs or be practical to connect to. The new network design is inflexible, it limits the level of technology available, and it may worsen the problem of underutilization.

The new network design contains many unknown elements. First, it forces members into an unknown cost structure, which ultimately is a major determinant of utilization. It is also unknown how it will integrate with existing infrastructure and network implementations, including compatibility with Internet 1 and Internet 2 network infrastructures. The network is based on a T1 architecture, when many providers are already delivering multi-megabit access via direct fiber connections. Members will have to add an additional network topology to their networks, and it is unknown how it will integrate and what restrictions will be put in place, because those standards have not yet been determined.

The main problems with the existing network are that it is under-utilized, over-engineered, and it lacks sufficient technical standards; however, the new plan does not adequately address these issues. To our knowledge, no research has been conducted directly with the member organizations to determine why it is underutilized and what problems they are experiencing. Rather than create a new network that does not address the current problems, we should begin by conducting research to identify the problems and to address them directly. The current network can be scaled to be consistent with utilization and standards can be put in place to create efficiencies without providing unnecessary limitations. I believe that the proposed network design jeopardizes the usefulness, flexibility, and ultimately the long-term viability of Kan-Ed.

Senate Commerce Committee
March 19, 2008

Attachment 5-1