

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 27, 2006 in Room 123-S of the Capitol.

All members were present except:

Jim Barone- excused
Jay Emler- excused
Roger Reitz- excused

Committee staff present:

Audrey Dunkel, Legislative Research
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:

Hal Gardner, Kan-ed

Others attending:

See attached list.

Chairperson Brownlee introduced Tom Burgess representing the American Sub-Contractors Association and the National Association of Credit Managers to request a bill introduction. He asked that the committee introduce a bill dealing with fairness in public construction. **Senator Schodorf made a motion introduce. Senator Jordan seconded. The motion carried.**

Chairperson Brownlee introduced Hal Gardner representing Kan-ed to give his update to the Committee. Mr. Gardner presented written copy to each of the Committee members. (A copy of the Kan-ed Annual Report 2005 is on file in the office of the Senate Commerce Committee Secretary) He recalled that the joint committee at the end of the session last year had as one of its charges to Kan-ed that they bring forward a report on possible consolidation of the three networks in Kansas; Kan-ed; KanREN; and KanWIN. The Annual Report, required by statute, was also presented. The networks got together after the session ended last year to determine how to approach the report accurately, fairly, and truthfully so that it wasn't just a report of what each member was doing and how they could maintain that status quo but how the three could better manage their activities and consolidate. The words could, may, and might are contained in the report; there are no shall or cans at this point. Essentially what is being said is that more time is required for a fruitful, in-depth study of all the relationships, cultures, and technologies and of course years of statutory build-up with KanWIN in particular. Kan-ed is relatively new and doesn't have a tremendous amount of statutory baggage. In Phase I and II included cultural elements, how we serve our constituents, technology elements and how we compliment each other, infrastructure needed to be explored so that Kan-ed can continue to do what they do, i.e. serve hospitals, libraries, K-12 public and private and higher education which they do best. Contained in Tab A is an overview which describes the environment. A matrix contained in the appendices gives an overview of the three networks. It gives an outline of the charges for each of the networks and how they are fulfilled. Distinctions between the networks are critical and during this process a lot was discovered about themselves due to the many hours of meeting, resulting in conversations between the networks which previously did not exist. The Findings section is a summation put together, in a common language about the results of all the work. Tab B is the meat of all of this—what are the recommendations that are brought forward by the staff? Recommendations regarding duplication of services and inefficiencies between Kan-ed and KanREN as specified in the statute; recommendations regarding incorporation of the Kansas Wide Area Information Network into the Kan-ed network, recommendations regarding the consolidation of state networking, and general recommendations in support of efficient state networking. An independent reviewer, Jim Hanakee, who has experience working with Kansas networking, brought a good perspective to the process. His response is imbedded in the report as opposed to a distinct section giving clarity to the report. Kan-ed acknowledges that there is duplication of network infrastructure and management facilities which could provide an opportunity for cost savings if reduced or eliminated. Study participants agree the systematic, staged integration of existing networks into one shared core network could provide improved cost-benefit performance. This gives an attitude to the recommendations which would come later. A qualifying paragraph states however, consolidation will require continued collaborative planning and increased operational integration while preserving the unique interactions, agreements and service level expectations developed for each of the existing networks. At present, each network organization has

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separate plans underway for growth and performance enhancements. Coordinating these activities could optimize benefits and allow sharing of expense. Other potential benefits from consolidation include uniform availability of services, increased service capability, increased stability and reliability and the leveraging of expertise and manpower of the network organizations. KanREN has a fee structure and people understand what they are getting. Kan-ed is uniquely positioned in a couple of ways. It has succeeded in putting 19 network access points to enable local providers (private and public partnership) to schools, hospitals, libraries, and higher education enities at a lower cost. It is accomplished through leased circuits, there is no ownership involved. It has had an impact on the telephone industry and has caused pricing to decrease. Other issues are; can they continue to do that and can they do better and it is thought they can.

Contained in the executive summary are seven steps which are recommended to enable greater functional integration while continuing existing critical applications. (A copy of the Executive Summary is on file in the office of the Senate Commerce Committee Secretary) It was pointed out that KanREN is not a governmental agency and their primary constituency are higher education students with a regents connection. Also noted was the fact that KanREN is not a governmental agency. The legislative intent back in 2001-02 was to have Kan-ed be at the low end of the bureaucratic organization as possible, keep the staffing down to a low level and to operate in a public-private environment without taking away business from telecommunications provided by ISP. Kan-ed is just now beginning to gain traction in a market-place environment with a staff of nine people with the assistance of consultants and the User Advisory Council to explain what is urgent about Kan-ed.

Senator Schodorf stated that when she left one of her schools this year during teacher training they had Kan-ed protocol on how to use all the standards of the testing data. Mr. Gardner stated that there are still a few districts hesitant to use Kan-ed. All districts are not physically connected to the networks but they are able to access if they choose to. The appropriation is not in the governor's budget and Kan-ed will have to fight hard for the \$2 million dollar package. When asked why there was no commitment from the Governor and why it was not included in her budget, Mr. Gardner had no answer. When asked if it was presented to her in her time frame, he said that probably not the way they should have but feels it should be regarded as important as education funding. The Department of Corrections has approached them concerning membership. They need tele-medicine within the prison system, continuing education, library resource, etc. KDHE is essentially saying the same thing. There exists a balancing act and Kan-ed needs to make sure that the \$2 million dollar comes forward. It is even more important as they have heard they will not receive their E-Rate funds which are currently going through the appeals process. Kan-ed's budget is exclusively from the Kansas Universal Service Fund (KUSF) up to this point. 2009 represents the last official receipt of funds from KUSF.

Chairperson Brownlee stated that the budget should be done by the Board of Regents as they fall under the Regents structure. When budgets are assembled Mr. Gardner said that they are under the Regents' budget.

Mr. Gardner felt that the combined networks would represent a huge environmental development interest to Kansas. Most agencies have a need for what Kan-ed can provide but you must have staff, money, and the ability to maintain what you do.

Chairperson Brownlee asked if Mr. Gardner understood why we were weaning them off KUSF and he responded that on some levels, yes, but would love to hear it again. It was felt that it was imperative to get Kan-ed going in 2001 and due to the lack of funding the Legislature turned to KUSF as it was somewhat the mirror image of the federal program. When SGF recovered then funding would be transferred with the same commitment. Kan-ed testified with House Utilities in much the same way and he indicated that they would not be asking for KUSF funding. He indicated that they felt that the report was very critical that in the long run, 3 years and out, that we must, as a state, think about consolidating to the degree that is feasible as much of the network operations. Mr. Gardner asked that he receive comments from the committee after reading the annual report which he distributed to the Committee. Chairman Brownlee pointed out that if there is a follow-up it would be done in collaboration with House Utilities.

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Senator Wysong pointed out that when corporations merge they see efficiencies and savings of dollars. He understands that what Kan-ed needs from the legislature is a change in the law to allow them to do so. He asked how much more money will be needed to do it and how long will it take? Mr. Gardner stated they were working on getting that information.

Mr. Gardner stated the Annual Report, by statute, goes to the Governor, the Legislature, State Department of Education and Board of Regents. Eldon Rightmeier, Director of Network Operations, works with private industry in keeping them up to speed each month with network operations. The network is up 99.7% of the time with no down time. He prepared the network deployment section contained in the report. A lot of time was spent getting networks in place and making distance learning simpler and more effective.

Senator Brownlee asked if it was too early this year to address some of the statutes that would need to be changed and Mr. Gardner responded that he did not feel it was, that the group would want to work in parallel with the Committee. It was pointed out that they were getting to the point that someone would need to introduce bills and Mr. Gardner asked Mr. Rightmeier if it was possible for someone to pull that together in a short time frame. The questions are primarily in the limitations and he doubted that could be done this year.

Senator Jordan wanted to make sure of the statement that every school has access. The physical infrastructure privacy secure network that we call Kan-ed, most are not connected to, but they all have access to the commodity internet and to the portable arrangement that is done with the state library and KLA and with another portable service out of North Carolina, so every school does have access if they have minimal broadband capacity. It will take approximately three years to have all buildings fully connected, depending on how funds are appropriated. Kan-ed wants total connection but doesn't have the equipment or money it requires without grants, etc. It is felt that Kan-ed is not discussed sufficiently in the educational field.

The State Library is currently discussing a program called Tudor.com that would provide services but it will not become important to a teacher in the classroom unless they felt it was reliable and would be available in the future. Hospitals are now a priority and they are attempting to get as many as 70 connected; currently there are 14. It is an extremely complicated process and hospitals plan three and five year programs and one of their biggest concerns centers around availability of programs in the future. Funding opportunities are reluctant because they see declining funding and that is perceived as a reduction.

Senator Brownlee stated that it was dis-concerning that it was not included in the Governor's budget and that the committee would see what they could do to influence the situation favorably. Mr. Gardner said that 75% of the 300 school districts that wanted to be connected would be connected by 2004 and the Chairman asked what percentage had been accomplished. She also asked the reasoning behind those districts that did not want to participate. A short answer to that was Interactive Distance Learning Centers (IDLC). That was the first priority.

According to the Chairman, it was felt that Kan-ed could provide a quality education possibly for less money. Can we really truthfully say that? Mr. Gardner said that it would have to be stated carefully with no infringement on KNEA or suggest that we could replace a teacher, but we can balance that equation. Point being, where certain curriculum is not available, Kan-ed can make it available.

Chairman Brownlee thanked Mr. Hal Gardner for his appearance.

Meeting was adjourned at 9:25 a.m with the next scheduled meeting for January 31, 2006 at 8:30 a.m. in room 123S.