KANSAS BOARD OF REGENTS

Joint Committee on Information Technology
December 13, 2011
Dr. Andy Tompkins, President and CEO

Good afternoon Chairman McLeland and members of the committee. I appreciate the opportunity to update you on Kan-ed.

First, let me recap what we heard as concerns during the last session and what we have done to address those concerns. A major concern we heard was that the Kan-ed program was not originally designed to provide content support to schools, libraries, and hospitals. In response, we cut content support by 50 percent in FY 12 and will provide no content support in FY 13 and beyond. Second, a concern was expressed that our staffing of Kan-ed needed to be reviewed. In response, we have reduced three positions. Our executive director resigned, and we assigned his duties to one of our existing employees, Jerry Huff, who now serves as the director of Kan-ed. Third, concerns were expressed about why the qualifying institutions were not assessed fees. Some of these questions were related to content and some were not. Our legal counsel could find no specific authority for assessing fees. There is some implied authority to charge for the use of video services but Kan-ed has never had a business operation established to charge fees. Additionally, there was criticism that we had not utilized the Kan-ed Advisory Council in guiding decisions for the network. In response to this concern, we have restructured the Council and are meeting with the Council on a quarterly basis. We believe that we are now on track to use this group as a sounding board and guide to establish future directions of Kan-ed.

As you know, during the last session, the legislature eliminated $4 million, or 40%, of the Kan-ed funding. Next, I want to bring you up-to-date on how we responded to the 40 percent budget reduction. The following cuts were made in the approximate amounts: $350,000 in consulting services; $1,500,000 in content services; $1,550,000 in grants to members; $110,000 in network connectivity and services; $237,000 in salaries and benefits; $200,000 in network emergency contingency; and $110,000 in general operations for a total reduction of $4,057,000.

At the conclusion of the session, the legislature created an interim Kan-ed Study Committee which was charged with evaluating the Kan-ed program for efficiency and effectiveness in providing internet services to schools, libraries and hospitals and to determine the economic value of the Kan-ed program to the state. The conclusions of the Kan-ed Study Committee were as follows:

- Kan-ed has operated in an effective manner in bringing connectivity to Kansas.
- The committee recommends the Kan-ed staff establish defined and objective metrics and a formulaic approach to conduct a circuit utilization review of all circuits and determine

the most efficient and effective actions to take with underutilized circuits and which ones to be disconnected.

- o Currently, Kan-ed provides service to 453 K-12 schools, libraries, hospitals and higher education institutions. We are working with the Kan-ed Advisory committee to assist us in determining what could be workable options for our partners which may include connection to local providers.
- o All this is being done while following the committee's recommendation to keep in mind that some customers may under utilize circuits because of the sporadic manner in which the circuit is needed; therefore, the circuit should be maintained.
- The committee found the four content areas provided via Kan-ed (Empowered Desktop, EMResource, library databases, and LiveTutor) all cost less to provide to Kansans via Kan-ed than other avenues. However, the committee stated that the question remains as whether these resources are needed or whether there are other avenues to meet the need.
  - o Kan-ed cut content support by 50 percent in FY 12 and will provide no content support in FY 13 and beyond.
- The committee recommends Kan-ed develop a cost-sharing plan for customers as well as a sliding fee schedule based upon ability to pay.
  - o We have asked for input from the Kan-ed advisory committee regarding the sliding scale and expect to have a draft sliding scale developed during the Spring of 2012.
- The committee commends Kan-ed and KanREN staff for providing a plan for developing a single statewide network.
  - o As we look into the future, we envision a plan where there is a partnership between Kan-ed and KanRen. This partnership will benefit all citizens by ensuring Kansans have fast, reliable access to our educational institutions, hospitals and libraries and lower connectivity costs. Kansas will be able to create a technology system that provides for the long term needs of the public institutions in a fiscally responsible manner.
  - o We will be reassessing Kan-ed's utilization of the federal E-rate program. We foresee the amount of funds applied for by Kan-ed to the federal e-rate program as decreasing and the amount of funds applied for by qualified Kan-ed members as increasing. We envision this transition to occur in FY 2013.

Furthermore, Kan-ed has also been working with Legislative Post Audit as they 1) determine how Kan-ed funds are used; 2) if there is a more cost-efficient way to provide internet service to schools, libraries and hospitals; 3) if there is an alternate way to provide this service; and 4) a comparison of the cost alternatives to the Kan-ed program. This post audit report should be finished in January of 2012.

It is our intent to be responsive to the legislature's concerns and vision for improving our services. I ask for your support as we utilize your recommendations to redesign our system to provide these vital services to our schools, libraries, and hospitals in a cost effective manner.

Thank you for allowing me to present this update for you today. I am glad to stand for questions.

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SCOPE STATEMENT

Kansas Board of Regents: Evaluating the Effects of
Eliminating the Kan-ed Program

The Kan-ed Act, passed by the 2001 Legislature, established a broadband-based network for schools, libraries, and hospitals. The purpose of Kan-ed, a program governed by the Kansas Board of Regents, was to provide a broadband Internet network for its members, and intranet access for distance learning and videoconferencing. The statewide network uses facilities and lines owned or constructed by private companies. In fiscal year 2012, Kan-ed was appropriated $6 million from the Kansas Universal Service Fund; a $4 million reduction from the previous year.

As of May 2011, Kan-ed had 883 members (K-12 schools, libraries, hospitals and higher education institutions). Of those, 451 (51%) are connected members which have leased communication lines that create a physical connection to the Kan-ed network. The remaining members access more limited content that is available from the Kan-ed network via the Internet.

In the 2011 legislative session, House Bill 2390 proposed eliminating Kan-ed funding. Proponents argued that Kan-ed has accomplished its mission, and that its members would not notice the difference in internet functionality if it were eliminated. Opponents argued that Kan-ed provides a needed service to many people at no charge, and that rural parts of the State still need this broadband service.

Senate Substitute for House Bill 2014 requires that Legislative Post Audit conduct a performance audit of Kan-ed, on approval from the Legislative Post Audit Committee.

A performance audit in this area would address the following question:

1. **What critical services does Kan-ed provide its connected members, and could members afford to pay for these services?** To answer this question, we would select a sample of schools, libraries, hospitals, and higher education institutions that are connected Kan-ed members, in both rural and urban areas. For that sample, we would determine what services those members use, and what grants and subsidies they have received through Kan-ed in recent years. We would interview member officials to determine which services, subsidies, and grants are critical to the members' operations. For the critical services, we would try to determine whether low-cost alternatives might exist, and whether those alternatives might satisfy members' business needs. Finally, we would determine how much it would cost members to pay for critical services out-of-pocket, relative to their total budget and information technology budget. We would perform additional work in this area as needed.

Estimated resources: 3 staff for 12-14 weeks (plus review)

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