

MINUTES

KAN-ED OVERSIGHT COMMITTEE

October 27, 2006
Room 519-S—Statehouse

Members Present

Senator Karin Brownlee
Senator Pete Brungardt
Senator Tim Huelskamp
Senator Janis Lee
Senator Jean Schodorf
Senator Dwayne Umbarger
Representative John Faber
Representative Tom Hawk
Representative Ann Mah
Representative Joe McLeland

Staff Present

Mary Galligan, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Art Griggs, Revisor of Statutes Office

Others Present

See attached list.

Morning Session

The Committee convened at approximately 10:15 a.m.

The first order of business was election of the Committee Chairperson. *Senator Umbarger nominated Senator Brungardt. The nomination was seconded by Representative Hawk. Senator Huelskamp nominated Senator Brownlee. The nomination was seconded by Representative McLeland. On a roll call vote, Senator Brungardt was elected Chairperson.*

Senator Brungardt took the chair and opened the floor for nomination of a Vice-Chairperson. *Senator Umbarger nominated Senator Schodorf. The nomination was seconded by Senator Lee. Senator Brownlee nominated Representative McLeland. The nomination was seconded by Representative Faber. The Chairperson called for a voice vote on the nomination of Senator*

Schodorf. The motion was declared lost. The Chairperson called for a voice vote on the nomination of Representative McLeland. The motion passed.

Senator Brungardt informed the Committee that he would not be able to participate in the remainder of the meeting and Vice-Chairperson McLeland took the chair.

Representative McLeland recognized Mary Galligan, KLRD, to review the KAN-ED Act and related statutes (Attachment 1). Ms. Galligan directed the Committee's attention to a staff memorandum included in members' notebooks that briefly describes legislative and executive branch discussions beginning in 1987 leading to establishment of KAN-ED (Attachment 2). In response to a question about Committee membership, Ms. Galligan stated that the 2006 omnibus appropriation bill provision that created the Committee dictated its composition. In response to a question about access to the commercial Internet via KAN-ED, Ms. Galligan responded that the KAN-ED Act does not prohibit such access. In response to a question about the impact of KAN-ED on the Kansas Universal Service Fund (KUSF), Ms. Galligan stated that a number of variables impact the amount customers are assessed to support the KUSF.

The Vice-Chairperson recognized Hal Gardner, KAN-ED, who introduced other KAN-ED staff available for Committee questions. Mr. Gardner discussed the summary report of KAN-ED progress toward meeting statutory goals and objectives (Attachment 3). Mr. Gardner also reviewed a second document outlining KAN-ED achievements (Attachment 4). In response to a question, Mr. Gardner stated that the Greenbush Education Service Center provides services via KAN-ED.

In response to a question about the rate of participation in KAN-ED, Mr. Gardner told the Committee that approximately 89 percent of eligible members participate. He also stated that KAN-ED has six staff members and no funds or staff dedicated to conducting marketing and recruitment of members.

In response to a question about use of KAN-ED facilities for access to commercial Internet sites, Mr. Gardner said that not all Internet Service Providers (ISP) that KAN-ED members contract with split commercial from non-commercial traffic. KAN-ED encourages ISPs to split the traffic. A committee member observed that Internet access to commercial sites at the public library in some small towns might provide a community service.

The Vice-Chairperson recognized Jerry Huff, KAN-ED, to discuss the geographic distribution of KAN-ED members and subsidy and grant recipients. A series of six maps display the geographic distribution (Attachment 5). Mr. Huff explained that the subsidies assist members with financing the cost of "last mile" connections to the KAN-ED network. The grants are used to purchase necessary equipment. Mr. Huff said he would provide the Committee with detail of where subsidy and grant money was spent since the inception of the KAN-ED program.

Mr. Huff directed the Committee's attention to a memorandum prepared by staff of the Kansas Corporation Commission (KCC) regarding the portion of KUSF assessment attributable to KAN-ED support (Attachment 6). The KCC memorandum indicates that if all other variables remain constant, elimination of KUSF support for KAN-ED during the current calendar year would reduce monthly per-line phone bills \$0.14-\$0.25. The analysis also shows that increasing KAN-ED financing for the current calendar year to \$10 million would increase the consumer monthly assessment by \$0.02 - \$0.04.

In response to questions, Mr. Huff directed the Committee's attention to page 35 of the 2006 network study report (Attachment 7). The table showed anticipated FY 2006 expenditures for KAN-ED at nearly \$10 million. Mr. Huff also distributed a table and chart showing actual FY 2006 KAN-ED expenditures (Attachment 8). That document shows that expenditures totaled \$13.6 million. He

explained that the amount in excess of \$10 million is attributed to expenditure of balances available from prior fiscal years and from receipt of e-rate funds. Mr. Gardner noted that KAN-ED staff does not budget e-rate funding because the amount is somewhat unpredictable. He noted that an appeal of the FY 2005 e-rate amount is pending. Mr. Huff explained that e-rate is a subsidy in the form of discounts available for service subscribers. He explained that KAN-ED has hired an e-rate consultant who helps KAN-ED and any member who requests assistance with the application process. He noted that some members have difficulty with the e-rate application process which can be complex. In response to a question, Mr. Huff said he would provide information to the Committee regarding the amount of e-rate funding that members are eligible for but are not getting.

The Vice-Chairperson recognized Jan Middendorf, Office of Educational Innovation, College of Education, Kansas State University, for a review of the Office's evaluation of KAN-ED (Attachment 9). Ms. Middendorf noted that there are currently 797 KAN-ED members out of a potential membership of 898. She explained that KAN-ED members comprise a subset of all eligible entities and that connected members are a subset of all members. In response to a question, Ms. Middendorf said that information regarding why people are not joining KAN-ED will be available later in the year. She also directed the Committee's attention to information available on the Internet about the KAN-ED grant programs and funding (<http://www.kan-ed.org/about.htm>). Ms. Middendorf said she would provide the Committee with lists of all potential KAN-ED members. In response to a question, she stated that the service issue in much of the state is cost rather than the absence of connectivity. She reported that during the period 2003-2006, KAN-ED had awarded 1,476 subsidies to 628 members. Some members may have received multiple subsidies during those years.

Afternoon Session

The Vice-Chairperson called the meeting to order at approximately 1:35 after the lunch recess.

The Vice-Chairperson recognized Hal Gardner who reviewed Appendix A, page 29 of the 2006 report (Attachment 7). The chart displays a summary comparison of KAN-ED, KanREN, and KanWIN. In response to a question about who provides network services to KAN-ED, Eldon Rightmeier, KAN-ED, directed the Committee's attention to a map that displays a generalized diagram of the network and identifies local service providers (Attachment 10). He stated that 29 companies are involved in the network and that AT&T, Cox Communications, and Sprint are the primary providers of backbone services. In response to another question, Mr. Rightmeier stated that the original engineering of the network was prepared by Results Technology.

The Vice-Chairperson recognized Doug Heacock, Executive Director, KanREN, Inc. Mr. Heacock stated that KanREN received start-up funding from the National Science Foundation in 1992. The purpose of that grant was to build a network connecting institutions of higher education. Currently, KanREN is supported by membership fees and fees for services. KanREN, which is a membership organization, serves elementary and secondary schools, public libraries, non-profit organizations with a research or education purpose, and post-secondary educational institutions. Membership consists of 5 or 6 community colleges, 10-12 public school districts, 24 public libraries, 6 non-profits, 3-4 private colleges, and the Regents' institutions. KanREN has approximately 55 dues-paying members with approximately 70 service sites. Mr. Heacock stated that approximately 62 percent of KanREN membership fees come from Regents' institutions. KanREN also provides technical support to KAN-ED on a contract for services basis. The amount received for those services in FY 2005 totaled \$1.1 million (Attachment 7, page 36). Services provided include working with telecommunication providers and member sites to support video scheduling, network

management, and diagnostics and problem resolution. KanREN also works with KAN-ED to engineer connections.

In response to a question, Mr. Heacock noted that a technical committee has been assembled to look at future network needs of KanREN members. He noted that those members' capacity needs are much greater than the needs of KAN-ED members and that KAN-ED could easily ride on the KanREN network. He observed that KanREN is only in the network business, not in the content business.

In response to another question, Mr. Heacock said that KanREN submitted a proposal in 1999 or 2000 to partner with DISC to provide what became the KAN-ED network, but the concept did not receive legislative support. He noted that at that time KanREN did not have the capacity it has now.

A Committee member commented that the proposed consolidation of KAN-ED and KanREN would eliminate much of the KAN-ED network, but that accomplishment of the consolidation depends on the availability of financing. The Committee requested that the Board of Regents present information at the next meeting regarding plans for funding KAN-ED/KanREN including the degree to which the two networks compete for the same public money, and any future plans for financing and related questions. One current estimate is that consolidation of the networks would cost approximately \$3 million up front and \$2 million per year.

Mr. Rightmeier responded to a question regarding KAN-ED contracts for backbone network capacity. He stated that current contracts will expire at the end of calendar year 2006. KAN-ED will need to know the specifics of a consolidation plan before negotiating new contracts. Mr. Rightmeier also noted in response to a question, that the KAN-ED network access point is in Victoria, Kansas rather than in Hays, because KAN-ED was able to negotiate a better price for the Victoria location.

In response to a question regarding when a consolidation plan would be ready for the Legislature to see, Mr. Heacock said that a proposal has been made to the Regents' Information Technology Council and that part of the discussion is financing. He stated that the plan for the core network is completed. Mr. Rightmeier stated that KAN-ED has not created a plan for consolidation.

In response to a question, Mr. Heacock explained that prior to becoming a non-profit organization in its own right, KanREN was operated by the University of Kansas Center for Research, which also is a non-profit organization. In 2002, KanREN became an independent corporation.

The Vice-Chairperson recognized Denise Moore, Director, Division of Information Systems and Communication. Ms. Moore explained that KanWIN is the statewide area network that largely serves state agencies' administrative and program needs for connection. The network also provides services to law enforcement agencies and to other state agencies that require highly secure connections in order to share information. The KanWIN network currently operates at lower speeds than either KAN-ED or KanREN. DISC is preparing to move the KanWIN network to a fiber-based network in order to increase speed and capacity. The move also is predicted to reduce network costs by \$250,000 per year. The fiber that DISC will be using is available from the Department of Transportation. She noted that state agencies and the public have become increasingly dependent on e-government services and that fact has created a demand for additional capacity. Ms. Moore informed the Committee that once on the KDOT fiber, KanWIN will be a "medium speed" network that would be adequate for full-motion video.

KanWIN is financed by monthly charges to state agencies that connect to the network. Those fees finance the operation and reflect the cost of services with adequate reserves for upgrades. Approximately 76 percent of agency fees are paid from special revenue funds. The balance is paid

from State General Fund appropriations to agencies on the network. In response to a question, Ms. Moore stated that any agencies that face a cost barrier to accessing KanWIN likely face a high local loop cost.

The Committee asked staff to contact the Department of Transportation about being at the next meeting to explain the status of the fiber contract and ownership.

The Vice-Chairperson recognized Mr. Gardner to review recommendations of the network study ([Attachment 11](#)). A member voiced concern that the report's recommendations are too vague. A discussion ensued regarding statutory changes necessary to effect network consolidation. A member directed the Committee's attention to recommendations on page 27 of the report ([Attachment 7](#)). Those recommendations address obstacles to creating a unified infrastructure. The Vice-Chairperson stated that he did not want to see KAN-ED enter into long-term contracts until the Committee has more detail to review. Discussion continued regarding the timing of legislative review and the impending expiration of KAN-ED contracts. Mr. Rightmeier noted that KAN-ED has the option to continue existing contracts for an additional 12 months. A member noted that renewal of these contracts will be necessary because they will expire before the Legislature has an opportunity to act. A member cited the recommendation on page 23 of the report ([Attachment 7](#)) indicating that networking lacks a common focus.

Mr. Gardner said he would provide information about cost savings that have accrued to KAN-ED end users.

The Committee asked staff to contact the KCC for an explanation of the KUSF and how it is calculated.

Committee members were asked to e-mail to Committee staff dates they would be available for the next Committee meeting. The Vice-Chairperson said he would contact the Chairperson to identify a date when most Committee members will be available.

The meeting was adjourned at approximately 4:15 p.m.

Prepared by Mary Galligan

Approved by Committee on:

November 20, 2006

(date)