

MINUTES

KAN-ED OVERSIGHT COMMITTEE

November 20, 2006
Room 514-S—Statehouse

Members Present

Senator Pete Brungardt, Chairperson
Representative Joe McLeland, Vice-Chairperson
Senator Karin Brownlee
Senator Tim Huelskamp
Senator Janis Lee
Representative John Faber
Representative Tom Hawk
Representative Ann Mah

Members Absent

Senator Jean Schodorf
Senator Dwayne Umbarger

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

Chairperson Brungardt called the meeting to order at approximately 9:15 a.m.

The Chairperson noted that the day's agenda consisted primarily of presentations in response to Committee questions posed during the October 27 meeting (Attachment 1). He asked the Committee to be prepared to discuss possible recommendations for the Committee report at the end of the day.

The Chairperson recognized Reginald Robinson, President of the Kansas Board of Regents. Mr. Robinson presented responses to questions previously raised by the Committee (Attachment 2). In addition to information requested previously by the Committee, Mr. Robinson told the Committee that an indication of the Legislature's desire regarding recommendations made in the 2005 study of state networks would be useful. Mr. Robinson also distributed to each Committee member a letter in support of continued funding of the KAN-ED network from the Kansas Universal Service Fund (KUSF) (Attachment 3).

Chairperson Brungardt opened the floor for questions from the Committee. In response to questions, the following information was provided.

- KAN-ED and Kan-REN do not use the same equipment in the same places. They utilize separate infrastructure. The networks are peered in Lawrence.
- KAN-ED leases all the facilities it uses from providers. Kan-REN leases some facilities, but owns core components.
- While KAN-ED and Kan-REN are separate, there are benefits to a system-wide look at benefits to be realized from consolidation. The Board of Regents is willing to proceed with consolidation with a nod from the Legislature.
- Despite differences in organizational structure of the two organizations, functional consolidation could be achieved with sufficient cooperation among the three networks. Functional consolidation does not have to be dismissed simply because of organizational differences.
- The \$3 million estimated cost of consolidation emerged from a Kan-REN study of the cost of consolidating the network cores to put the Regents sites together. The price of consolidation would depend on the details of the effort. It is doubtful that consolidation could be achieved without some up-front expenditure. It is unclear what impact consolidation might have on last mile costs for KAN-ED members.
- The 2005 study did not delve into detail necessary to identify one-time or ongoing expenditures or savings. Cost information will be generated if the Legislature recommends that the Board pursue consolidation. This Committee can be provided with a preliminary road map for pursuing consolidation.
- The Board will provide to the Committee recommendations for statutory changes required to facilitate consolidation.

The Chairperson recognized Jerry Huff, KAN-ED, for a discussion of e-rate funding (Attachment 4). He told the Committee that the "unused" amount of e-rate funds might have resulted from a number of causes. The funding years 2004 through 2006 remain open, so expenditures may still be made from those amounts. Mr. Huff also stated that many eligible entities do not apply for e-rate support. However, he stated that among schools, the percentage of applicants is very high. He stated that many libraries do not apply for e-rate funding. KAN-ED hired an e-rate consultant to help those schools and libraries that do not have in-house expertise to prepare an application for e-rate funding.

In response to Committee questions, Mr. Huff provided the following information.

- Unused amounts are retained by the federal Universal Service Administrative Company (USAC) which administers the federal Universal Service Fund for the Federal Communications Commission.
- Funds available for a year that remains open can be used until the year is closed as long as the use is part of the original application. The e-rate consultant hired by KAN-ED has worked to see to it that the total amount available is used.
- E-rate funding can be used for “last mile” costs up to 65 percent of the cost. Many small libraries are unable to pay for the balance of the last mile cost.
- Discounts for support depend on the level of poverty and the urban/rural status of the population served and range from 20 percent to 90 percent of the costs of eligible services. The primary measure for determining schools' and libraries' support discounts is the percentage of students eligible for free and reduced lunches under the National School Lunch Program (NSLP), calculated by individual school. Library branches or outlets must obtain and use the NSLP data for the public school district in which they are located to calculate the discount. Schools' and libraries' e-rate support also is based on whether they are located in an urban or in a rural area. The amount available to hospitals is based on the location (urban or rural).
- The KAN-ED e-rate consultant responds to questions from any KAN-ED member regarding e-rate, helps with the central KAN-ED e-rate application, and conducts statewide training. The consultant was hired using RFP process. The cost of proposals in response to the RFP ranged from \$100,000 to \$400,000. The current consultant's contract is \$100,000.

The Chairperson recognized Janet Buchanan, Chief of telecommunications for the Kansas Corporation Commission, to provide information about how the Kansas Universal Service Fund (KUSF) assessment is derived and allocated ([Attachment 5](#)). After Ms. Buchanan's presentation, the Chairperson opened the floor for questions from the Committee. The following information was provided in response to questions.

- Wireless and cable phone service customers pay a KUSF fee, but customers of voice-over Internet protocol (VoIP) service providers do not.
- Discussions are ongoing at the federal level regarding changing how the federal universal service fund (USF) is calculated and operated. Currently, federal USF funds are used to offset the amount of KUSF allocated to rural carriers.
- Rural carriers are moving toward a local single-line residential rate of \$12.60. That is the statewide average rate of all rural carriers. That will be recalculated again. As the rate goes up, the need for KUSF goes down. While the amounts involved in the KUSF may change, unless state law changes, the assessment will continue.

Jennifer Findley, Director of Education for the Kansas Hospital Association, was recognized by the Chairperson to present information regarding use of KAN-ED by hospitals. Ms. Findley discussed three areas in which KAN-ED has been of assistance to hospitals: EMSystem®, telemedicine, and exchange of health information and electronic health records. She noted that the

University of Kansas Medical Center is working to integrate telemedicine services with KAN-ED (Attachment 6).

The Chairperson opened the floor for questions of Ms. Findley. The following information was provided in response to questions.

- Ms. Findley noted that video conferencing services provided via KAN-ED are used frequently by hospitals. She also said that there may be some reimbursement issues that prevent more extensive use of telemedicine.
- The statewide license for EMSsystem® is approximately \$300,000. It was a new product on the market about the time KAN-ED was established. Without KAN-ED funding, hospitals might not be able to afford the service.
- In regard to telemedicine services, Ms. Findley reported that since the system has moved to KAN-ED, the reliability is higher, the transmissions are more secure and the service is more cost effective.
- The hospitals have not had any conversations with Kan-REN about utilizing that network.
- Staff was asked to provide the Committee with information about the Kansas Health Alert Network at the next meeting.

The Chairperson recognized Jan Middendorf, Assistant Director, Office of Educational Innovation and Evaluation (OEIE), Kansas State University, to respond to questions raised at the previous meeting. Ms. Middendorf discussed the categories of KAN-ED membership and the results from the most recent potential member survey (Attachment 7, last four pages).

After the presentation, the Chairperson opened the floor for questions. The following information was provided.

- Ms. Middendorf explained that OEIE is paid by the Board of Regents for services as they are completed, so the OEIE may not bill for the full budgeted amount in any given year. The amount billed depends on the services provided. She explained that it is common for 10 percent to 12 percent of a project's costs to be attributable to evaluation. KAN-ED budgets 3 percent to 4 percent of its annual budget for evaluation.
- OEIE has not studied possible benefits of KAN-ED membership for state agencies because that is not covered by existing law.
- Ms. Middendorf said she would check on why the juvenile justice facilities have not joined KAN-ED.

The Committee recessed for lunch.

Afternoon Session

The Chairperson called the Committee back to order at approximately 1:40 p.m.

The Chairperson called the Committee's attention to minutes of the previous meeting at the members' desks. Representative McLeland moved and Senator Lee seconded a motion to approve the minutes as presented. The motion was adopted.

The Chairperson recognized Jerry Huff, KAN-ED, to respond to questions about use of KAN-ED funds since inception of the program. Mr. Huff referred to Attachment 7, pages 1-30. Mr. Huff responded to numerous Committee questions.

- In regard to Learning Station, KAN-ED staff will provide to the Committee, at its next meeting, information about which services are being used most.
- Mr. Huff informed the Committee that if individual libraries subscribed to databases currently provided through the KAN-ED statewide license, the cost would be much greater. Genealogy databases are not purchased with KAN-ED support.
- In regard to publicizing the availability of statewide databases, the State Library will provide additional information at the next meeting. The State Library also will provide information comparing expenditures for databases immediately before and since development of KAN-ED.
- KAN-ED's user advisory committee meets every two months.
- KAN-ED live is available over the public Internet and is no longer funded.
- KAN-ED expended more money in FY 2006 than the \$10 appropriated because some carry-forward funds were used to finance the hospital and higher education initiatives.
- The KAN-ED e-rate consultant provides more services than are available from the State Department of Education.
- The state fiscal year in which e-rate funds are available for expenditure is determined by a combination of the federal application cycle and the length of time necessary for the application to be submitted and approved. The state 2005 application was denied and is on appeal to the Federal Communications Commission. That denial was based on submission of an out-of-date letter of agency with the application. KAN-ED staff is confident that the appeal will be resolved in the state's favor. If so, the e-rate funding will be available in state fiscal year 2007. The 2005 e-rate application was denied and is on appeal to the FCC, also.
- There is no duplication in the services for which funding is sought in the individual school applications and the KAN-ED e-rate application. Mr. Huff explained that some cost allocation is required in preparation of the state application in order to pull out higher education and hospitals that are not eligible for e-rate support.

- The annual KAN-ED budget is not prepared at a level of detail that identifies anticipated expenditures at the service provider level. KAN-ED has contracts with each of the providers, but the amount expended in a fiscal year may change. The current year expenditure does not show a payment to Kan-REN because KAN-ED has not been billed.
- The use of KAN-ED subsidies has not been audited. Recipients report to KAN-ED the use of the subsidies. A KAN-ED member is eligible for the subsidy program even if the member is not a “connected member.” All KAN-ED members would be able to apply subsidy amounts to their local loop costs.

KAN-ED staff will provide committee members and staff with access to the “Empowered Desktop.”

The Chairperson recognized Eldon Rightmeier, KAN-ED, to discuss the current and the potential physical KAN-ED network and the concept of connected membership from that perspective. Attachments 8 and 9 illustrate a conceptualization of the general physical KAN-ED network today and where KAN-ED staff would like to be in the future. A connected member of KAN-ED has the ability to get to the KAN-ED services shown on the far right of the diagrams. If a KAN-ED member can only connect to the Internet, but cannot access those other services, the member is not connected. A connected member is connected via an Internet service provider who is connected to KAN-ED. Attachment 10 includes a discussion of the impact of KAN-ED funding on costs of interactive distance learning (IDL) and broadband Internet access to schools, libraries and hospitals. Cost can be viewed from the perspective of the state and local governments who support those institutions or from the perspective of the institutions. KAN-ED has operated under a statutory scheme that focuses on cost to the institution.

The Chairperson opened the floor to questions. The following information was provided in the responses:

- The advantage of a combined network is better functionality, but not much cost savings.
- Some savings may be achieved by joining administration and direct network management functions.
- Any discussion of administration and network operation consolidation should include KanWIN.
- The 2005 network study was focused on development of a solid infrastructure for future needs.

The Chairperson recognized Hal Gardner, KAN-ED, who discussed the programs described on page 5 of Attachment 10. The following information was provided in response to Committee questions.

- Incorporating services like the “Empowered Desktop” in classroom curricula takes some time because the teachers must learn and become comfortable with the technology.

- VoIP services are not provided through KAN-ED because that is specifically prohibited in statute. Changing that statutory prohibition is not a priority for KAN-ED.
- Kan-REN owns more network equipment than KAN-ED does, but also leases some network equipment.
- The outcome of implementing the recommendation regarding duplication of services and inefficiencies (2005 network study, page 22) would be less duplication. Implementing that recommendation may result in fewer leases, but until detailed planning of the implementation is completed, the outcome cannot be precisely predicted.
- KAN-ED is not interested in owning any fiber optic facilities, but might be interested in use of state-owned fiber facilities.
- Some expenditure reduction might be realized in the KAN-ED budget from consolidation. KAN-ED staff will provide that information at the next Committee meeting.

Mr. Gardner presented to the Committee two recommendations for statutory changes that would facilitate integration of state networks. The first change would permit KAN-ED to utilize state-owned network equipment. The second change would make additional state agencies eligible for membership in KAN-ED ([Attachment 11](#)).

The Committee was informed that on December 1 Mr. Rightmeier will leave KAN-ED to work at the Division of Information Systems and Communication (DISC).

The Chairperson recognized Mike Floberg, State ITS Engineer for the Department of Transportation. Mr. Floberg presented information about the status of fiber-optic facilities located adjacent to some of Kansas' Interstate highways ([Attachment 12](#)).

In response to committee questions, the following information was provided:

- The contract with LightCore would provide the opportunity for KanWIN and Kan-REN to purchase bandwidth at a discounted rate. KanWIN will use some of the fiber for its network, for a portion of its backbone. Testing is underway and the "cut over" is planned for December 1.
- KDOT has limited ownership of the fiber facilities.
- The value of the facility is \$20 to \$30 per mile for the conduit and fiber. Approximately 650 miles are installed. The cost of the necessary electronic elements to "light" the fiber is approximately \$100,000 per segment.
- LightCore can sell bandwidth to other customers without limitation under the agreement with the state.
- The contract between LightCore and the Department of Transportation will expire in 30 years.

Additional information was provided in response to Committee members' requests for clarification.

- The State Library offers 15 databases for statewide access. Five of those databases are paid for from the KAN-ED budget. Those databases are available through the State Library's website. Any Kansan can access and utilize the databases by using a Kansas library card. Community libraries and schools are publicizing the services. In some states there are earmarked funds to publicize similar library services.
- Financing of the databases' subscription cost through KAN-ED makes them available statewide.
- The State Library will provide information to the Committee regarding expenditures for databases immediately prior to implementation of KAN-ED and for subsequent years.
- Homework Kansas is essentially a subscription with Tutor.com and costs KAN-ED approximately \$250,00 per year. Since September 6, approximately 7,000 tutoring sessions have been conducted statewide.
- Technical support and administration for the KAN-ED network is provided through Kan-REN at night and on weekends via a contract with DISC which monitors phone contacts. If there is a problem on Kan-REN, DISC personnel contact the "on call" person at Kan-REN.

KAN-ED staff was asked to present a detailed plan for implementing the 2005 study recommendations and a time line at the December Committee meeting.

During Committee discussion, the following items were suggested for inclusion in the Committee's report and recommendations. The Committee deferred action on final decisions until the December 4 meeting, when the Regents' staff will present additional information about a plan and time line for implementation of recommendations contained in the 2005 network report.

- Removing the VoIP prohibition from the KAN-ED Act.
- Expanding potential KAN-ED membership to additional state agencies, in particular, the Department of Corrections, the Juvenile Justice Authority, and the Department of Health and Environment.

The Committee received letters of support for KAN-ED from the Kansas Hospital Association, the State Department of Education, and the Kansas Library Association ([Attachment 13](#)).

The meeting was adjourned by the Chairperson at approximately 4:50 p.m.

Prepared by Mary Galligan

Approved by Committee on:

December 4, 2006

(date)