

ILLINOIS CENTURY NETWORK  
NOVEMBER 29, 2001 POLICY COMMITTEE MINUTES

**Submitted for:** Action

**Summary:** Distribution of November 29, 2001 minutes for review by the Policy Committee.

**Action Requested:** Adoption of November 29, 2001 minutes.

**Recommended Motion:** *That the ICN Policy Committee adopts the November 29, 2001 minutes with any edits as noted.*

ILLINOIS CENTURY NETWORK

**NOVEMBER 29, 2001 POLICY COMMITTEE MINUTES**

Meeting was held via audio conference call and called to order by Mary Reynolds.

Members Present: Keith Sanders, Illinois Board of Higher Education; and David Wood, representing Lugene Finley, Illinois State Board of Education.

Members Participating via Audio Conference: Mary Reynolds, Governor's Office; Jean Wilkins, Illinois State Library; Bruce McMillan, State Museum; and Virginia McMillan, representing Joe Cipfl, Illinois Community College Board.

Others attending included: Dan Layzell, Illinois Board of Higher Education; Neil Matkin, Lynn Murphy, Lori Sorenson, Karlin Sink, and Rebecca Dineen all from the Illinois Century Network.

Absent: Michael Schwartz

Mary asked Neil to introduce the first item on the agenda, the cost recovery model.

Before addressing the first item, Neil informed the Policy Committee of a staff termination in the Chicago office and asked that if any members of the Policy Committee were to be contacted about this incident that they refer all inquiries to Rebecca Dineen, ICN Human Resources Officers.

1. Addendum: Cost Recovery Policy

Neil indicated that the cost recovery item was in response to several questions that had been raised by the Policy Committee members at the November 14, 2001 meeting. Neil began with an overview statement that the ICN is 100% dedicated to maintaining fidelity to the legal intent and the legislative intent of the creation of the network. Primarily meaning that any and all operations should most benefit primary constituents whether public or private and that all future cost recovery proceeds should be used in such a manner that the education constituents of the network, meaning the Public and Private K12, Public and Private Higher Education, Museums and Libraries would be the chief recipients and beneficiaries of such cost recovery activities. The reason cost recovery is being discussed is to accommodate the growth of the network.

As an example of unanticipated network growth, Neil cited the recent discovery that in order to handle an increasing number of constituents, the Chicago POP will require an

upgrade over the upcoming holiday break, instead of seven months down the road in the summer of 2002 as originally planned.

Neil went on to explain that the network is oversubscribed by 7 to 1, which in terms of Internet service provision, is a very low ratio. This allows the ICN to provide excellent service and throughput for the constituents. If the constituents continue to increase their utilization, even without the addition of more circuits, there is the potential that this will impact the ability to provide services long term.

Without a cost recovery policy the ICN either has to locate additional funding from the public sector or start disconnecting constituents in reverse priority order to maintain the service for primary constituents. This measure is intended to ensure that there is a model that ties growth to resource recovery. In the event that no resource recovery is needed, there are two options open to adjust the model being proposed - 1) either the baseline bandwidth is raised or 2) the cost per megabit above that bandwidth is lowered. On an annual basis, whatever is necessary and directed by the Policy Committee will be done to make sure the overall, overriding policy continues to work with the constituents in a manner that is consistent with the legislative intent. The cost recovery model is intended to continue the growth of the network and allow that continuance in a responsible and incremental manner.

Neil went on to point out that growth could be controlled by setting limits on the bandwidth available to constituents, however in doing so the network would remain static. Creating a static environment in this manner would defeat the goals of the Illinois Century Network that call for better utilization and increased bandwidth for education. In order to create an environment that can sustain incremental growth, it is necessary to implement incremental resource recovery.

Keith questioned a provision in the cost recovery item that indicated that if the ICN were unable to add incremental capacity in advance of increasing load there would be no choice but to begin restricting constituent use. Keith asked why primary constituents would be concerned about reduced non-primary constituent use or even the elimination of some non-primary constituents.

Neil responded by saying that the greatest impact will be felt where primary and non-primary constituents work together, as in Benton, Illinois. They partner with private and public constituents, with primary and non-primary constituents, to share resources resulting in lower costs to all of the partners, more so than if they weren't sharing resources. In restricting the non-primaries, the primaries may be impacted as well.

Mary asked under what legal authority does the ICN have the right to remove any constituent from the network. Neil indicated that as a private network, any constituent at any time could be removed without legal recourse.

Jean Wilkins asked if any thought had been given to a tiered policy where the primary constituent groups might be given a better price than non-primary constituents.

Neil responded that the proposed model functions in that manner as an established baseline of transit is made available at no charge to primary constituents and non-primary constituents pay the entire cost of the transit. As time goes on additional differentiations will need to be made based on the size of the connections used to connect constituents.

Neil introduced the second question asked of the ICN staff regarding the impact on institutions that wish to remain at their current service level. Each ICN constituent locally determines the amount of bandwidth that they wish to secure from the ICN – it is not the purview of the ICN to tell constituents how much bandwidth they should have. Nothing in the cost recovery model suggests that an institution will be required to increase their bandwidth. However, without the benefit of cost recovery to replenish resources as the network grows, institutions that remain at a lower level of connectivity may find that their service suffers as other network participants increase their utilization of bandwidth. With a fixed amount of shared resources, increased utilization will mean that some users will not enjoy the same level of speed and reliability that they currently enjoy. In that sense the cost recovery model allows us to ensure that those customers on the smallest end of the spectrum continue to receive the through-put which they are now receiving and which they have become accustomed to. The cost recovery model gives the ICN the means to keep ahead of this demand and ensure that the network will continue to function as it does today.

As a point of clarification, Keith asked if the value of a T1 could decline as traffic increases on the backbone and slows down the applications.

Neil indicated that Keith's observation was exactly correct.

Moving on to the third question, Neil started by saying that determining the cost to constituents in future years is dependent on several factors. The answer to the question of future costs really depends on how much bandwidth constituents' use above the baseline, what the overall costs of the network are and what the baseline becomes. While future costs are difficult to predict, Neil assured the Policy Committee that a safe rule of thumb is that the ICN is going to remain the best possible value to institutions to secure access to one another and to the Internet, even with implementation of the proposed cost recovery model. Neil also acknowledged that there will be adjustments to the cost recovery model during implementation and the Policy Committee can expect to be asked for their input on those adjustments to make sure that the ICN is serving the purpose and the needs of the constituent groups they represent.

Keith asked Neil what the staff was going to tell the universities about their costs so they could budget for next year.

Neil responded that they would be notified of their baseline transit and the cost per megabit in the event they wish to purchase more. The universities would notify the ICN of their bandwidth needs, allowing them to control their costs and usage of the network.

Primary constituents whose utilization is currently under their baseline would incur no additional charges under cost recovery if they chose to remain at their current level.

Mary asked if the same scenario would apply for municipalities. As non-primary constituents, Neil indicated that while municipalities don't have a baseline and pay for all the transit they use, based on the design of the ICN and the location of connection points, municipalities would still have access at a cost that is below current market price.

Virginia commented that an additional factor that plays into overall costs is the cost of the backbone circuits and that if this could be lower, the costs to everyone would be lower.

Keith indicated that he planned to revisit this issue later in the meeting, requesting a motion that would ask the ICN to secure the lowest prices possible for circuits and equipment knowing full well that there are certain political and logistical limits on the ICN's ability to do so.

Mary then asked Neil to address the fourth question regarding the impact of implementing cost recovery on existing constituents.

In order to clear up any confusion that might exist about the treatment of public and private constituents, Neil briefly reviewed the goals relative to the legal workshop that was held prior to the meeting on November 14, 2001. The first and foremost goal is to make sure the ICN retains its status as a private, state owned, telecommunications network and is never able to be legally labeled a common carrier. To that end, and on the basis of council from multiple legal sources, the ICN is in the process of developing facilities based leases to ensure that the ICN can deliver services to non-primary constituents or non-public constituents or constituents who are not yet recognized and haven't been recognized as a primary constituent. In legal terms they are often referred to as affiliated institutions.

Using the Benton example, Mary asked for clarification on what the non-primary are paying for today and what they will pay for under cost recovery. Neil responded that currently Benton is paying nothing, because of their connections with primary constituents who do receive a baseline level of transit. The question of future cost remains to be seen depending on whether or not the other partners in the local community network want to continue sharing their transit with non-primary constituents.

Mary asked for clarification about the use of extended circuits that were deployed to connect larger numbers of constituents. Neil explained that in some cases the use of extended circuits made sense and reduced the total spend of dollars for the both the ICN and the constituents. In some cases, this had proven not to be the case and staff members were preparing a detailed analysis of all such installations to determine where they make sense to maintain and where a direct connection would better serve the constituents. Although non-primary constituents will be required to pick up their share of the extended circuit, their overall cost to connect to the network will still be the best value available.

Keith asked if Neil could explain the benefit to the constituent for paying a share of the extended circuit.

Neil responded that by extending the network via this circuit, a primary constituent would receive access at lower cost – essentially the ICN is picking up half of the local loop charge by providing a larger single connection to the POP site. Non-primary constituents would benefit as well, but not to the same extent as primary constituents. The charge for access to the extended circuit is based on the actual cost of the circuit and varies around the state depending on local telecommunications carriers.

Hearing no further questions on cost recovery step one, Neil moved on to the discussion of cost recovery step two. Basically this item states that the baseline transit across the network be provided to publicly funded primary constituents at no cost to constituents. In other words, this is the part of the ICN connection that is provided as part of the appropriation. ICN provided transit levels are based on student headcount. Student headcount was selected because it correlates very closely to the size of the connections the institutions have.

Mary asked if all Internet service providers (ISPs) charged separately for transit. Neil replied that charges for access circuits and transit represent two distinct costs although may ISPs bundle them together.

Keith suggested that the staff put together a two page frequently asked questions document about cost recovery that Policy Committee members could use to respond to questions from their constituents.

(Note: at this point, a considerable amount of static was present on the phone line, requiring Bruce McMillan to drop off the call – Keith encouraged Bruce to call back when his cellular service improved)

Neil responded that staff was working on a set of core materials that will be customized for each constituent group and that these materials would be shared with the Policy Committee members as well.

Virginia and Jean echoed Keith's concern about having this type information readily available in order to help institutions understand the cost recovery model.

Neil went on to explain the table in the item that shows the baseline transit levels based on student enrollment. A concerted effort was made to establish baselines in such a manner as to impact the fewest possible currently connected constituents. Primary constituents without enrollment will be given a set baseline of transit. David asked if the Policy Committee would see the staff recommended modifications to changes in costs and transit levels on an annual basis.

Neil assured the Policy Committee members that this was the case and went on to suggest that the levels be established annually in the July to September time frame to give plenty of advance notice for budget preparation and planning.

Neil went on to explain that point five of the item addresses the baseline transit provided for publicly funded institutions and that any bandwidth above that amount will be charged back quarterly at ICN's cost based on actual anticipated expenditures. A table enclosed with the item identified those institutions that would be impacted immediately by cost recovery based on their current usage.

Keith indicated that he expected some of the utilization by the larger institutions could be related to recreational use of the network by students. He went on to suggest that in light of cost recovery, these institutions might take a closer look at the way the network connection is being used, potentially reducing their costs by only paying for bandwidth that supports educational applications.

Mary asked how institutions would determine their bandwidth needs each year. Neil explained that the ICN staff planned to work with the technical representatives and give them the opportunity to establish their bandwidth needs based on headcount, price, and current utilization. The ICN will bill on a quarterly basis for any bandwidth requested above the provided baseline.

Neil moved on to point six which explains that existing secondary and permissive constituents will pay for connection to the network via facilities based leases. Any access, transit and egress facilities including equipment, and port connections at the POP will be sized according to constituent requirements. Under the cost recovery model, ICN secondary constituents will be required to pay for the services they use. In comparison to equal service available from other services, the ICN is still the lease expensive option for network connectivity. The network is poised to grow by another 1000 to 2000 connections in the next 18 months. Staff will be making a concerted effort to discuss the ICN with municipalities throughout the state. Implementing cost recovery will allow the ICN to grow in this manner without impacting the service provided to primary constituents, benefiting everyone.

David asked if the ICN would be considered a common carrier if it applied different costs to the non-primary constituents. Neil responded that this exact question had been asked of legal council and the answer came back that the ICN is able to charge fees to all manner of constituents, whether primary or non-primary.

Neil indicated that point seven of the item addressed the potential of ICN providing additional services. Staff is currently speaking with primary and non-primary constituents to determine what services they would like to see the ICN provide. All of the services being explored are outside the current budget framework; so cost recovery would apply if services were to be provided

Neil reviewed item number eight that deals with the Policy Committee's approval to discontinue funding for constituent premise equipment. The issue here relates to the longer-term maintenance of the equipment and who bears the responsibility for upgrades. At some point, the ICN would like to pursue the option of operating as a consortium on behalf of the constituents so they can assume ownership of the equipment and any costs associated with the on-going maintenance of the equipment. The ICN budget cannot sustain the maintenance and upgrades for customer premise equipment. Should a constituent ask the ICN to continue supporting the equipment, there would be costs associated with that support that would have to be charged back to the constituent.

In conclusion, Neil stated that the ICN intends to remain true to the enabling legislative intent to provide the best value in networking for the primary constituents. The proposed cost recovery model is not just a patch for the budget - it represents a long-term strategy to make sure there are incremental funds to match incremental growth. It may be that the costs are less one-year and more the next. Regardless, the goals are to provide the greatest benefit directly to the primary constituents of the network; to protect those institutions that are currently being served sufficiently; to provide resources that allow the network to grow incrementally in step with future demand; to perpetuate the ICN as the best option for all constituents of the network and continue to maximize economies of scale; to create a framework by which added value services may be implemented to meet constituent needs; and to continue the investment by the state in Illinois students and educational resources. To that end the staff recommends that the Policy Committee adopt the proposed cost recovery model. Neil indicated that he would be pleased to answer any additional questions.

Motion: Keith made the motion; Virginia seconded.

Keith moved that the Policy Committee adopt the proposed cost recovery model.

Mary asked for further discussion.

Virginia took the opportunity to state that it is important to make certain that any value added services do not in any way detract from the normal services provided to the primary constituents. Keith agreed that this was wise counsel.

Hearing no further discussion, Mary asked for a roll call vote.

Rebecca recorded aye votes from Mary, Keith, Virginia, David (with the caveat that he wanted his vote explained further), and Jean.

(note: Bruce had still not rejoined the meeting, making him unavailable for the roll call vote)

After a brief discussion, Mary indicated that the motion carried by majority vote and asked David if he would like the opportunity to explain his vote.



David indicated that as Lugene's designated representative and after hearing debate, he was convinced to vote in favor of the cost recovery model. However, as a finance person, he felt that the cost recovery model was being implemented to address budget issues. Implementing cost recovery puts the ICN on an extremely slippery slope with regard to charging fees and he is concerned about the direction this could lead to over time. David did say that he was somewhat reassured that the details of the cost recovery model are to come before the Policy Committee on an annual basis.

Mary reemphasized the need to review the cost recovery factors on an annual basis. Neil agreed that the staff felt the same and would plan to provide the review early enough in the budget planning cycle so that constituents would adequate time to plan.

Keith said that he agreed with the tone and most of the substance of David's comments and felt that it was especially critical to be sensitive of budgetary issues during the somewhat tenuous and uncertain nature of the economy and times. Virginia agreed with Keith's remarks.

Keith went on to say that he felt that he did not want the Policy Committee to invoke new fees and not be vigorous in the pursuit of securing the lowest possible prices for circuits and equipment.

Motion: Keith made the motion; Virginia seconded.

Keith moved that the Policy Committee instruct the ICN staff to secure the lowest possible prices for network circuits and equipment in an effort to keep overall costs at a minimum.

Mary asked Neil if he would like to respond to the motion.

Neil indicated that he was conscientious of the admonition to contain all costs associated with the ICN and that in doing so, the staff is keeping true to the mission to serve education in Illinois with the best service at the lowest possible cost. Neil reminded Mary that the staff has been working vigorously to secure access to the state owned dark fiber, which will go a long way towards helping reduce costs. Any assistance in securing this resource would be appreciated by all the ICN constituents.

Mary asked for further discussion.

David asked if it was necessary to have a motion to encourage staff to seek the lowest prices.

Keith responded that as the maker of the motion, he wanted to be sure that the ICN was very aggressive in the pursuit of dark fiber and that staff fully implement the permissions that were given to us by CMS in a fairly extraordinary act of generosity to go out and seek prices better than those that are currently available to the ICN. Keith indicated that his understanding of the delegation of authority from Mike Schwartz was that the ICN

could pursue the procurement of circuits and equipment independently if the CMS prices could be beat.

Neil indicated that this was his understanding as well.

Mary said that the motion established a clear direction from the Policy Committee to pursue lower prices.

Hearing no more discussion, Mary called the question.

Motion passed.

Keith reiterated the need for the staff to provide a brief, non-technical explanation of the cost recovery model in order for the Policy Committee members to be able to respond to questions from constituents.

Neil indicated that these materials would be available within the next two weeks.

Motion: Keith moved; Virginia seconded.

Keith moved that the meeting be adjourned.

Motion carried.