

## ILLINOIS CENTURY NETWORK

### APRIL 21, 2014 POLICY COMMITTEE MINUTES

Greg Wass called the meeting to order at 1:06 PM.

Members Present (Springfield):

Greg Wass, Central Management Services	Lori Sorenson, Central Management Services
Brent Engelman, Board of Education	Kathleen Bloomberg, Illinois State Library
Bonnie Styles, Illinois State Museum	Todd Jorns, Illinois Community College Board

Members on audio bridge:

Chet Olson, Mayor of Rochelle	Alan Phillips, Board of Higher Education
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Members absent:

Sean Vinck, Office of the Governor	Mike Dickson, Consultant
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Staff and guests:

Chima Enyia, Central Management Services	Robin Woodsome, Central Management Services
Tom Oseland, Central Management Services	Deborah Kelley, Central Management Services
Frank Whitney, AT&T	Carla Poani, AT&T

#### **Budget**

Greg Wass reported that the main issue for the ICN is the budget. If the income tax is not extended or some other revenue source is not identified, the ICN could lose approximately \$3 million in GRF funding which is 10% of the budget. The real issue is GRF money is used to subsidize customers. If the General Assembly does not want to use the money to fund the schools, that may need to be taken into consideration.

Kathleen Bloomberg asked if this was just for the schools and libraries or was it for higher education as well. Lori responded that it was for all – schools, libraries and higher education.

In FY14 ICN received \$5 million instead of the requested \$6 million. In FY13, ICN received \$4 million. Historically, CMS has absorbed the funding shortfall, but would not be able to do that in the future. The challenge for CMS/ICN is that by the time the funding level is known, schools participating in the E-rate program have entered into contracts for last mile connections and received federal approval for reimbursement based on the contract and the then current ICN rates/costs.

Kathleen Bloomberg asked where the money is actually spent. Lori responded that ICN operating costs include staff, network equipment, and equipment maintenance, fees associated with leased fiber, and location and maintenance of the state owned fiber. The annual operating budget is \$19 million.

Greg Wass asked what the subsidy does for constituents. Lori responded that the \$6 million goes to the schools, libraries and museums through a credit and they buy services such as bandwidth based on ICN's published rates.

Bonnie Styles asked if we know how many would drop out if they lose the subsidy. Lori responded that it depended on the schools locations and broadband availability. In general, schools in southern Illinois would have fewer options thus would purchase some level of broadband from ICN. Schools in central and northern Illinois in general have more options and would subscribe to a lower class service (no guaranteed speed or quality of service). In the Chicago collar county areas, some schools have options for good rates.

Greg stated this is a potential crisis and the various associations should be notified. The impact will be severe since many will have their budgets cut as well. Greg could ask Legislative Affairs to see if we can survey our membership to see what they would do; however, there would not be enough time to collect the information and share with the General Assembly before the budget is final.

Kathleen Bloomberg asked if there was a way to cut back on services to private customers. Lori responded that CMS needs the increased revenue from the private customers. The majority of ICN's operating costs are fixed so more customers, especially private customers, helps to generate revenue to cover the operating costs. Since CMS has become an E-rate service provider, some schools are purchasing bandwidth where they never did before.

Staff can create a report that details how many K-12 and libraries only use the state subsidy. There may be some that use other providers that we are not aware of. This information could be gathered through a survey.

CMS will send a letter requesting the information for the legislators. Greg will confirm approval by the Governor's Office. We will run a report in the interim to send to the policy members.

Todd Jorns would like to know how many community colleges are using the subsidy. We could get the President's Council involved with the legislators to let them know the impact

### **Minutes**

Greg Wass introduced the first item on the agenda, approval of the minutes from the January 21, 2014 meeting. A motion was made by Bonnie Styles to accept the minutes. The motion was seconded by Todd Jorns. The motion carried.

### **IBOP**

Lori Sorenson announced that the project is in the closeout phase. The final spend included \$61 million in federal funds, \$18 of \$26 million in state capital funds and an additional \$6 million in state operational funds.

The Sales and Marketing Partnership RFP was issued. CMS received three proposals and upon review of the proposals determined that it was not in the best interest of the state to proceed with an award. Essam El-Beik is still promoting the ICN to the wholesale broadband community. He has attended a couple industry trade shows and has been meeting with service providers. We are also talking with other broadband projects in the state to see if we can work together on marketing the fiber.

Brent Engelman asked if we were looking at other states. Lori responded that CMS researched and met with several other state networks prior to issuing the RFP.

Kathleen Bloomberg asked if the subsidy money is in jeopardy even if the tax gets extended. Greg responded that appropriations that are recommended by the Governor are always subject to the General Assembly. If the income tax isn't extended or an alternative revenue source isn't found, then there will be across the board cuts.

### **E-rate**

Tom Oseland announced the 2013 application review process is winding down. One hundred and six of one hundred and nineteen applications listing ICN as the internet service provider have been approved by the FCC/USAC. This represents a little over \$774,000 in E-rate funding. Many will not follow through with the upgrade and take advantage of the funding because what they receive from the state allocation is adequate. There are 157 applications for 2014. This number is expected to increase as schools become more aware that ICN is now a registered service provider with the E-rate program.

### **FCC Pilot**

Lori reported that with the help of Robin Woodsome, Tom Oseland, Essam El-Beik, and others, CMS responded to the FCC's latest Request for Comments on the modernization of E-rate. Many of the questions focused on how to increase funding for internal connections. The only schools receiving Priority 2 funding have a 90% free and reduced lunch count. The FCC is proposing an additional \$2 billion for internal connections and modifying the rules so that more schools receive Priority 2 funding. The additional Priority 2 funding would result in the elimination of funding for voice services.

The FCC request for comments also included an opportunity to for organization to submit a non-binding expression of interest to participate in a pilot project to connect schools and libraries with high speed broadband. CMS responded and a copy of the response was included in the agenda packet and is available on the ICN website.

Kathleen Bloomberg asked if they were trying to simplify the program. Lori responded that there were questions regarding simplifying the process. One concern expressed by staff and K-12 technology staff was that if the process was made too simple there would be no accountability for need and best price.

### **K-12 School Technology Initiative**

Lori reported that many months ago, Superintendent Koch engaged CMS and others at the state to develop a cost estimate for upgrading school bandwidth and technology to a level that would support looked the PARCC online student assessment rolling out this fall. As a result, the Superintendent and Illinois State Board of Education requested \$450 million in capital funds. Since the initial analysis, staff continues to work with the State Board of Education, Governor's Office and the Governor's Office of Management and Budget to provide cost estimates for alternative proposals.

### **ICN Customer Profile**

Robin Woodsome explained there are two sections to this item – how the customers are using the network and a cost comparison. Over the last month, staff contacted the constituents connected via fiber as part of the ARRA project to see how the upgraded service is performing and how they are using the increased bandwidth. Robin stated it was interesting to see the difference between higher education and K-12. K-12 was focused on their applications and higher education was concerned with overall bandwidth.

The greatest benefits have been the reduction in cost allowing the site to purchase additional bandwidth and the improved network performance. Most sites report an increase in the use of streaming video and many are in the process of implementing one-to-one programs.

The Paris School District provided students with a virtual tour of the Field Museum accomplished by a tour guide walking through the museum wearing Google Glass.

More than half of the K-12 schools reported they participated in the PARCC test earlier in the year. All are encouraged their network connection will support the test when it goes live in the fall.

Kathleen Bloomberg asked why three sites are paying more for the same amount of bandwidth or getting less and paying more than before being connected with fiber. Lori explained that those sites were using a commodity service such as cable modem or wireless service which may be less expensive but is not guaranteed or synchronous. Sites are now connected with a 1 gigabit fiber connection that will allow them to increase their bandwidth speeds in the future with no additional costs other than the bandwidth costs.

Lori reported there are one or two customers that are not using the fiber connection because they are in contracts with other providers.

#### **Other Business**

Lori announced CMS has been notified by AT&T that they are migrating their network from the legacy TDM technology to IP by 2020. T-1s and DS3s are being replaced by metro Ethernet. CMS is looking at all circuits the state purchases to prepare for a migration to Ethernet. It will affect all schools and libraries and could have a financial impact. The RTCs will work with the customers.

Upcoming Procurements – We have issued an RFP for Professional Engineering Services – work currently performed by Globetrotters Engineering. The Egress IFB is just about ready to issue. If anyone is interested in evaluating, please contact Lori.

#### **Adjournment**

A motion was made by Todd Jorns to adjourn the meeting. The motion was seconded by Bonnie Styles. The motion carried. The meeting adjourned at 2:23 PM