

## ILLINOIS CENTURY NETWORK

### October 20, 2014 POLICY COMMITTEE MINUTES

Greg Wass called the meeting to order at 1:00 PM.

#### Members Present (Springfield):

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

#### Members Present (Springfield):

Greg Wass, Central Management Services	Sean Vinck, Office of the Governor
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#### Members on audio bridge:

Chet Olson, Mayor of Rochelle	
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#### Members absent:

Mike Dickson	Vicki DeWitt, Illinois Principals Association
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#### Staff and guests:

Robin Woodsome, Central Management Services	Tom Oseland, Central Management Services
Deborah Kelley, Central Management Services	Essam El-Beik, Central Management Services
Christ Balich, Office of the Governor	Judy Hessler, Central Management Services
Chima Enyia, Central Management Services	Carla Poani, AT&T

Greg Wass announced that he asked the Governor's Office of Management and Budget staff to attend to discuss the FY15 budget and rates. Due to timing, they were unable to attend. CMS staff will continue to work on the FY15 budget while preparing the FY16 budget.

Lori Sorenson announced there were a few staffing changes at Central Management Services. Kirk Mulvany left state government for a private sector job in September. Adam Ford, a senior network engineer was brought on to assist Frank Walters. Adam originally came from State Police and previously worked with the CMS LAN team.

#### Minutes

Greg Wass introduced the first item on the agenda, approval of the minutes from the July 21, 2014 meeting. A motion was made by Kathleen Bloomberg to accept the minutes with one change. In the second paragraph under budget, "Kathleen Bloomberg mentioned with the tight budgets, along with union mandated increases, there is no room available in the agency budgets to add another item." Kathleen wanted it to be changed to "It is an issue for agencies to add other budget items." The motion was seconded by Bonnie Styles. The motion carried.

#### IBOP

Lori reported the project officially closed on August 28<sup>th</sup>. NTIA is still reviewing the paperwork.

On August 1<sup>st</sup>, the Governor held an event at Illinois State University celebrating the completion of the project. Many constituents and contractors spoke at the event.

The US Office of Inspector General has been conducting reviews of the NTIA grant program. CMS was selected for a site visit in July where they reviewed contracts, purchasing, and equipment inventory. During the review the Inspector General staff also visited a customer site that was connected via fiber as a result of the grant.

### **E-rate**

Tom Oseland reported that 2013 funding year requests are still being processed. A total of \$200 thousand has been reimbursed or passed through to customers to date. This is a good result for the first year as a service provider. Next year, the customers will be reimbursed directly.

The 2014 funding year has been successful. 152 applications listing ICN as the service provider have already been approved. We have made claims on 40 customer accounts resulting in a little over \$16 thousand in the first month.

Essam El-Beik reported that in July, the FCC released a Report and Order for E-rate that provided a set of rule changes for the program. These changes take effect in funding year 2015 and focus on upgrading internal connections within schools and libraries. There is an additional \$1 billion available for 2015 and \$1 billion for 2016. The requirement of having a technology plan has been removed. For schools and libraries that apply in funding year 2015 or 2016, there is an internal connection budget of \$150 per student for a school or \$2.30 per square foot for a library applied over a 5-year period. Basic maintenance continues to be funded and managed Wi-Fi is a new service that is eligible for E-rate support. This allows for an outside party to install and operate the internal connection network.

It is important that every school and library be aware of these changes and additional funding. If they do not apply in 2015 or 2016, they will not be subject to the \$150/\$2.30 budget in 2017 unless there are future rule changes. Support for voice is being phased out.

Lori mentioned the staff held a webinar to provide constituents with information on the e-rate rule changes. More than 100 callers participated. One of the library systems requested a follow up conference call with its member libraries.

Brent Engelman asked if a communication has been sent to the K-12 schools. Lori responded that the communication went to all ICN customers and anyone who has signed up on the website to receive email updates.

Greg asked if other states are coordinated in the way they are applying for this funding. Lori believes it varies by state. The North Carolina version of Central Management Services and its State Board of Education work together to submit a consortia application. Greg replied that we need to think about that and align our efforts to get the most funding as possible.

Sean Vinck commented that if this is a typical federal program, most states don't take full advantage. It is a significant amount of money. At a minimum, we should strive to get our share.

Sean asked if there is any way we can generate a match for hospitals for tele-health purposes. Essam responded that about a year ago, there was focus on the rural healthcare fund through a separate

program and funding. Historically, healthcare funds have more money for requests. The rural versus urban is very important on the healthcare side. Urban hospitals can only receive partial funding. If there is a partnership, they could receive funding. We could work with the Illinois Rural Healthnet and apply for a partial reimbursement. Lori mentioned the healthcare fund does reimburse for operating or ongoing costs and ICN is a registered service provider. There are hospitals that use our services and receive reimbursement from E-rate.

Brent Engelman asked if there was a list of who has applied. Essam stated we do have the information for 2014.

### **Services and Rates**

Robin Woodsome reported that staff have been working to update rates and services since they have been in place for four years. Staff have spent time interviewing constituents to understand broadband demand and price points. This has also been discussed with the AET to seek their input and approval. As a result of the fiber project, there is a large amount of on-net bandwidth available so we want to develop rates and services that enable schools and libraries to take advantage of the capacity.

Essam requested that members refer to the handout and explained that slide 2 described the current landscape. Slide 3 is a summary of recommendations that include removal of the free allocation when the appropriation is \$1 million or less, Internet egress price reduction, establish a minimum purchase, and enhanced service for traffic that stays on-net. CMS would also act as the end-to-end supplier of broadband connections for the primary customers and update commercial pricing for Internet egress.

Remove of the free allocation will have the greatest impact on the small schools and libraries. CMS will encourage all schools and libraries to take advantage of E-rate.

CMS is also proposing an Internet egress price reduction to bring pricing in line with the market. The goal is to remain competitive with market prices and retain the large customers that are purchasing bandwidth above the state funded credit. Pricing would also be simplified by removing the port fee.

Various pricing scenarios were analyzed. Staff looked at the potential revenue from the current customer base and predicted the revenue based on the percentage of customers that stay with CMS if these recommendations are adopted.

Kathy Bloomberg asked if both the bandwidth and subscribers will go up? Lori replied that we think it will be a combination. Based on the feedback from the customers that buy bandwidth, our pricing is less competitive. We have the capacity, so we want to drive usage.

Sean asked if by adopting the recommendation, the new rates are locked in for future years. Lori replied that the rates can and should be adjusted in the future as appropriate.

Sean asked if we could vote for each recommendation individually. Lori responded that we could and the recommendations could be implemented separately.

Kathy asked if the AET endorsed all of the recommendations. Lori replied that they did.

Sean made a motion to approve the recommendations as a package. Todd Jorns seconded the motion. Discussion on the recommendation continued.

Sean asked how the affected parties react to the \$140 minimum. Kathy reported there are 200 public libraries not paying anything. If they pay \$140 per month or \$1,680 per year, the impact would be large and they may not need more bandwidth. Lori replied that the removal of free bandwidth for small libraries will be painful.

Robin shared that without state funded credit for eligible customers, the port fee is \$55 plus the bandwidth cost or \$76 for 1.5 meg. E-rate eligible customers can purchase a 10 meg metro-ethernet circuit for \$277 per month from AT&T as compared to the \$235 and \$280 they are currently paying for a T1. The cost to increase the circuit capacity is nominal.

Kathy voice concerned that commercial customers are benefitting from the upgraded network but not the schools, libraries and museums for which the network is intended to serve. Greg mentioned there is a lot of unused capacity and if commercial providers purchase bandwidth, it will help the schools and libraries as it is a new revenue source to the state. Commercial rates are 30% higher than what we charge the anchor institutions.

Staff is recommending changes to the commercial service rates as well. There has been a good response from customers leasing dark fiber, but the feedback is the 10 gig Ethernet service price is not competitive. Staff has reviewed market pricing as well as sought feedback from AET members to develop the recommended rate changes. Currently, ICN has generated more than \$3 million in new revenue from approximately eight commercial providers.

Brent asked how many of the 1,000 anchors that receive free services are schools? Kathy replied there are over 300 K12 schools or over 700 school districts.

Todd questioned what would happen if funding is restored. Lori responded the rates would stay the same, but the free bandwidth would return. Greg mentioned the money could go to entities to spend how they see fit.

Brent asked about the reaction from the schools. Robin replied, most agree that any cost to some schools would be difficult. Most schools that already have the connection are happy about on net bandwidth, the lower cost and some of the new services – VoIP and SIP services.

Greg mentioned we could make another motion to exclude the \$140 to phase it in over 4-quarters. Kathy suggested phasing in the \$140 over years not quarters. She also believes libraries tried to apply for E-rate in the past but gave up because it was too difficult. Now it is easier, but they can't apply for voice service as the voice subsidy is being phased out over 5-years.

Todd asked if we changed the rates over a couple years. Greg agreed 2-years would be a compromise and could be done in 4-increments.

Todd mentioned we need constituents to send a letter of support for the ICN budget. Lori reported that Brandon Gant with CARLI, a member of the AET, provided a sample letter used by CARLI to communicate the financial and programmatic value/benefit of CARLI to items members. Sean withdrew his motion and asked for leave which was granted by Greg. Sean made a motion to adopt the listed recommendations with the minimum \$140 monthly fee phased in every six months

starting at \$35 on 7/1/2015 and increasing \$35 ever six months until it reaches \$140. The motion was seconded by Todd Jorns. Kathleen Bloomberg abstained. Motion carried.

**2015 Meeting Schedule**

Greg presented the 2015 meeting schedule. Meetings are scheduled for January 20<sup>th</sup>, April 20<sup>th</sup>, July 20<sup>th</sup> and October 19<sup>th</sup>. Sean Vinck made a motion to approve the meeting schedule. Brent Engleman seconded the motion. The motion carried.

Meeting adjourned at 3:04 PM