



ILLINOIS CENTURY NETWORK

POLICY COMMITTEE MEETING AGENDA

March 27, 2002 2:00 p.m.

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Item #1a
March 27, 2002

ILLINOIS CENTURY NETWORK

NOVEMBER 14, 2001 POLICY COMMITTEE MINUTES

Submitted for: Action

Summary: Distribution of November 14, 2001 minutes for review by the Policy Committee.

Action Requested: Adoption of November 14, 2001 minutes.

Recommended Motion: *That the ICN Policy Committee adopts the November 14, 2001 minutes with any edits as noted.*

ILLINOIS CENTURY NETWORK

NOVEMBER 14, 2001 POLICY COMMITTEE MINUTES

The meeting was called to order by Mary Reynolds.

Members present: Mary Reynolds, Governor's Office; Jean Wilkins, Illinois State Library; Keith Sanders, Illinois Board of Higher Education; Lugene Finley, Illinois State Board of Education; Bruce McMillan, State Museum; and Joe Cipfl, Illinois Community College Board

Others attending included: Rick French, SIU School of Medicine; Virginia McMillan, Illinois Community College Board; Anne Craig and Kathy Bloomberg, Illinois State Library; Brent Crossland, Governor's Office; John Anderson and Alice Engle, Department of Central Management Services; Neil Matkin, Atif Musa, Keith Bockwoldt, Jason Reid, Susan Bowen, Gary Shaffer, Tim Sheets, Kirk Mulvany, Dave Mollet, Todd Williams, Robin Woodsome, Ralph Lucia, Lori Sorenson, Cindi Hitchcock, Karlin Sink, Lynn Murphy, Doug Jurewicz, and Rebecca Dineen all from the Illinois Century Network.

1. Policy Committee Minutes

Staff requests the adoption of the September 26, 2001 Policy Committee meeting minutes.

Mary asked if there were any changes to the minutes from the previous meeting. Prior to receiving a motion for approval of the minutes, Neil advised the policy committee that the auditors had questioned the use of summary minutes, as opposed to verbatim minutes utilized by the Board of Higher Education, the ICN fiscal agent. While there will be no written notice of the auditors suggestion in this matter, Neil indicated that he had a duty to inform the Policy Committee that the suggestion had been made. After a brief discussion, the policy committee decided to continue their practice of providing summary minutes.

Motion: Bruce made the motion; Keith seconded.

Bruce moved that the ICN Policy Committee adopt the September 26, 2001 minutes with any edits as noted. (No edits were noted.)

Motion carried.

2. Announcements

In light of the events of September 11th, Mary indicated that the ICN staff should review the level of detail in the information about the backbone that is made available in print and web resources. Neil responded that the staff had taken Mary's advice on this issue and was in the process of removing detailed information about the network POP sites from ICN public materials.

Mary also informed the Policy Committee that today was GIS day. Over at the Capitol, state agencies were showcasing how they utilized GIS in state government.

3. Remarks

Neil indicated that the ICN Regional Technology Supervisors were in attendance at the meeting. After briefly reviewing the key role that the Regional Technology Centers play in providing service at the local level to ICN constituents, Neil applauded the supervisors for their excellent efforts in this area. Each supervisor was introduced and recognized by the Policy Committee.

ICN customer satisfaction survey cards were distributed to the Policy Committee. The survey cards are being used for all new constituent installations. Existing constituents will be encouraged to provide feedback via this method as well. Neil indicated that the cards had started coming back and the initial comments indicated that ICN constituents have experienced world-class service as a result of the work of the Regional Technology Centers.

Neil took the opportunity to thank Tim Sheets of RTC VI for his leadership in pulling the supervisors together to do some preliminary work in determining what ICN constituents will require of the ICN in the long term. At a future Policy Committee meeting, a complete survey of services that ICN constituents would like the ICN to perform will be presented.

Neil introduced Rick French from the SIU Medical School. Rick recently participated in the Teleburn project that utilized the ICN backbone to allow doctors to do remote diagnostics on critical burn victims. Rick told the Policy Committee that his institution had been on the ICN for about a year and a half and that he couldn't be more pleased with his experience with the technical staff and management of the ICN. He indicated that the SIU Medical School had future plans for telemedicine applications and that the ICN would play a key role in their success.

Neil distributed a web trends report that indicated nearly 2000 copies of the Advanced Engineering Taskforce Report were downloaded from the ICN web site. This is in addition to the 5,400 copies that were mailed to ICN constituents.

Referring back to Mary's earlier comments, Lugene asked Neil about the ICN's ability to operate from a remote location in the event of a catastrophe. Neil replied that it was the intent of the ICN management to establish the Chicago and Springfield sites as back-ups for each other in the event of a major network failure. Although the auditors didn't focus on this issue, ICN staff anticipates the need to respond to concerns about network redundancy in the future.

Lynn Murphy provided an update on the distance learning conference and various other items. Lynn distributed an SIU School of Medicine press release about the Teleburn project; an article about the ICN and the Avenew crisis that appeared in the Illinois Business Journal; and the most recent copy of the RTC IV user group newsletter. Lynn cited these as examples of some of the means by which ICN success stories can be communicated. She also mentioned that the staff was working on a newsletter for ICN constituents that will be available in print and electronic forms.

The Distance Learning Conference will have a content focus and will be held in Champaign on March 21 and 22, 2002. Session presenters are being solicited from higher education, the K-12 community, and state agencies through the CMS video network. Additional details about the conference will be provided to the Policy Committee as they become available.

Lynn was in attendance at the Educational Technology Forum sponsored by the Chicago Metropolitan Planning Council at which Representative Howard favorably mentioned the ICN in her luncheon remarks.

4. Advanced Engineering Taskforce Appointments

Item four asks the Policy Committee to adopt the staff recommendation that the individuals nominated be added to the Advanced Engineering Taskforce. Following the procedure for adding members that was approved at the September 26, 2001 Policy Committee meeting, Neil discussed the process used to identify potential members who would provide representation based on the constituency served by the network. Many of the nominations came from Policy Committee members and Neil thanked everyone involved for their excellent suggestions.

Motion: Keith moved; Lugene seconded.

Keith moved that the Policy Committee adopt the staff recommendations that the individuals nominated be added to the Advanced Engineering Taskforce.

Motion carried.

5. FY 02 Budget Report

Neil introduced Cindi Hitchcock and thanked her for her excellent work in handling the fiscal affairs of the ICN and working long hours to ensure the accuracy of the budget

reports. Neil then introduced Lori Sorenson to present the pre-audit FY01 budget, the FY02 proposed budget, and the FY03 planning budget. Lori went through each of the reports highlighting several items.

With regard to the pre-audit budget Lori pointed out that the federal erate funds were separated out and listed as a revenue source and then shown as an expenditure under the telecommunications line item. Reporting erate funds in this manner will allow staff to accurately track their impact on the ICN budget.

In the FY02 proposed budget, all revenue sources are listed separately, representing the new budget report format. The revenue sources include the allocations from IBHE and ISBE and erate funding. Lori indicated that the FY03 planning budget was for information purposes only at this time and would be brought to the Policy Committee for approval prior to July 1, 2002.

Staff is asking that the Policy Committee approve the FY02 budget and expenditure plan as presented.

Keith moved; Lugene seconded.

Keith moved that the Policy Committee approve the FY02 budget and expenditure plan as presented.

Discussion followed. Mary asked why the ISBE appropriation was listed as 10.5 million as opposed to the 12 million that had been presented to the Policy Committee in earlier planning documents. Lugene explained that 10.5 million was all ISBE could afford in light of the current budget concerns and the 2% set aside required of all agencies. He also indicated that previous expenditures by ISBE for the LincOn network over the past 3 or 4 years had ranged from 10 to 11.8 million dollars.

Mary asked Neil about the impact of this decision on the ICN. Neil responded that it was the goal of the ICN management to take the available resources and expend them according to the policies and direction established by the Policy Committee. While staff has some concerns about the reduction in funding, Neil indicated that the cost recovery item to be reviewed next on the agenda might provide the means to balance the FY02 budget in light of the adjusted appropriation.

Keith indicated that he wanted to make sure that all the Policy Committee members understood the implications of the legislation that would be proposed in January asking that the budget for the ICN be combined into a single appropriation targeted specifically for the ICN operation. This action will help to avoid some of the complications that arise from trying to merge two appropriations. Keith reminded the Policy Committee members that their support of this legislation would be critical.

Mary asked for additional questions and hearing none, Keith restated his motion.

Keith moved that the Policy Committee approve the FY02 budget and expenditure plan as presented by the staff.

Motion carried.

6. Cost Recovery Model

Neil introduced item six as one of the most important items that staff would bring before the Policy Committee in the sense that it provides a basis for the long-term growth and sustainability of the ICN. Based on the budget information provided in the previous item, at current funding operation levels, the ICN anticipates a budget shortfall in FY03. The nature of the telecommunications business is such that the ICN is limited to buying additional capacity in quantities and prices defined by the telecommunications providers. This limitation, coupled with unlimited constituent growth and utilization of the network, provides a framework that limits the ICN's useful life to years as opposed to decades. In order to ensure that this does not happen, the ICN staff is bringing this item to the Policy Committee in the hope of creating a comprehensive policy that will provide guidelines for the allocation of state appropriations and the collection of necessary fees in order to allow the ICN to sustain current and anticipated growth and demand in services. Therefore the question becomes, does the ICN start restricting the use of the network to operate within level funding constraints or do we continue to expand and grow to meet the documented needs of Illinois education and other constituents?

According to Neil, staff considered three alternatives as a means to avert this problem: 1) attempt to obtain incremental new monies from the legislature and Governor in collaboration with funding agencies 2) ask the current funding agencies or potential funding agencies represented by the Policy Committee members to reallocate existing funds to provide additional resources or 3) implement cost recovery measures and continue to work towards lowering the overall cost of the network by securing dark fiber and larger discounts from the telecommunications providers.

Neil reminded the Policy Committee members that it was the intent of the legislation creating the ICN as well as the ongoing appropriation to the ICN that it be an education network providing services for Illinois education. This intent was reinforced with the formal recognition of primary constituents approved at the June 1, 2001 Policy Committee meeting. Educational constituents represent 92% of the connections to the network and their aggregate use represents 91.97% of the available bandwidth. However, educational constituents are not the only beneficiaries of the network.

A handout was distributed that outlined the costs and benefits associated with the operation of the network. On page 31 of the agenda Neil asked the Policy Committee to look at the constituent groups served and the bandwidth utilization of each group. Taking this information, the staff attempted to provide an estimate of network growth and cost through fiscal year 2005. Without cost recovery, in an environment of uncontrolled growth and utilization, the cost estimates for each fiscal year are presented as a range, as the ICN has no means to control how fast the network will grow. The goal was to share

the cost components of the network, as well as staff's best estimate of how fast the network will grow.

Neil pointed out that Internet egress is by far the fastest growing area. Fortunately, the cost of egress is coming down, however this can't be said for all cost components of the network. The budget objective is to obtain a balanced budget while continuing to expand incrementally as needed to provide the services utilized by ICN constituents. The implementation of the proposed cost recovery policies will help balance the budget and create incentives among the constituents to establish priorities and encourage educational use of the network. Currently the network supports a great deal of recreational traffic. Cost recovery will encourage institutions to evaluate how much non-educational traffic they are willing to provide for their users and at what cost. Neil emphasized the importance of each constituent making this decision at the local level, the ICN could not, nor should it, make this decision for the constituents.

The proposed cost recovery model allows for growth where it's needed without impacting the charges for egress. Under the cost recovery model, the primary constituents pay for their access circuits and for egress above an established baseline that is determined by their enrollment. Based on current utilization, less than 5% of primary constituents would be impacted today. The goal of the ICN is to continue to provide reliable network access and service at the best value available, even with minimal and reasonable cost recovery.

In summary, Neil indicated that other state networks utilize similar cost recovery methods. Also in presenting this item, the staff feels it will prepare the ICN for the future without damaging current operations and provide the vehicle needed to finance the future and accommodate the growth of the network. Neil indicated that he would be glad to answer any questions from the Policy Committee members.

Joe and Lugene both asked if cost estimates would be made available to their constituents who will be impacted, prior to the implementation of cost recovery.

Neil indicated that staff was working on these notifications, but reminded the Policy Committee that there were several variables in flux that could ultimately impact the final cost. The new State telecommunications contract and on-going negotiations with telecommunications providers both have the potential to lower costs even further.

Lugene indicated that he would need to have cost estimates to take back to the chair of the State Board of Education prior to his being able to take action on the adoption of the cost recovery model. Neil indicated that staff would provide Lugene with a list of constituents who would be impacted based on current utilization.

Jean asked if this information could be made available for the library community as well. Neil responded by saying it would be available for all primary constituents.

Mary asked if one group was impacted more than another by cost recovery. Neil said that this was not the case as the formula was based on headcount and that K12 remained the chief beneficiary under this formula.

Bruce reminded the staff that all institutions with living collections, such as zoos, botanical gardens, and aquariums should be included in the museum classification in order to be consistent with the State's classification of such institutions. The change will be made and the figures presented for constituent utilization will be revised.

Keith indicated that he understood the urgency of this item in light of planning for FY 2003 budgets, but felt that the item could not be approved until all Policy Committee members understood what the impact would be on their constituents. Keith suggested a special meeting on this item when all the information was available. Keith then went on to ask Neil what would happen if the Policy Committee did nothing with cost recovery – where would the losses in growth and services occur? Neil replied that if cost recovery, with its inherent control mechanisms, was not implemented, the ICN would run the risk of having increased growth and demand for bandwidth outweigh the amount of bandwidth the ICN could provide with a fixed budget. There would be no provision to replenish resources as constituent demand increased. Based on the current increase in utilization, the ICN must plan now for additional resources to meet demand. The implementation of cost recovery can't be made when the problem presents itself; the proposed cost recovery model is designed to facilitate planning for network growth.

Neil went on further to explain that under the proposed cost recovery model each constituent makes its own decision about the amount of bandwidth that they receive. If a constituent is satisfied with their allocation of baseline bandwidth, the ICN is not taking anything away from them, and they aren't being charged any additional fees. The model being recommended ensures that as growth in demand occurs, there is a matching component that allows the ICN to recover the cost of the increased expenses incurred in growing the network. If this is not in place, then services have to be limited and difficult decisions will have to be made about which services to limit and to whom.

Joe indicated that some of his institutions would not look favorably on additional costs and would struggle with them, especially in light of other budget issues that are on the table.

Neil acknowledged this remark and reminded the Policy Committee that prior to the ICN, many of these institutions were paying much higher costs for less reliable service. They all recognized a cost benefit when the ICN was established. Under the worse case scenario, these institutions will end up paying what they paid before the ICN, while still receiving the high quality of service provided by the ICN.

Mary asked if there was any easy way to compare the service and cost an institution had prior to the ICN with the service and cost they receive as an ICN constituent. Neil cited a number of factors that would make it impossible to compare these scenarios, the primary one being the enhanced level of service provided by the ICN. Regardless of what a

constituent may have been paying before, the goal of the ICN is to provide more egress at the lowest possible cost.

Keith indicated that it was answers to these kinds of questions that would enable the Policy Committee to take action on this item and suggested that a second meeting be held with ICN staff providing concrete and specific examples of the impact of cost recovery, prior to that meeting so that an informed decision could be made. In light of further negative news that Keith had received from the Governor's office regarding budget reductions, the sensitivity to budget related issues has been heightened.

Mary asked how soon the ICN staff would be ready to have a special meeting regarding cost recovery and the consensus of the group was that the meeting would be scheduled in approximately two weeks.

Joe made a motion to adjourn; Lugene seconded.

Meeting adjourned at 4:00 p.m.

Item # 1b
March 27, 2002

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 have 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.

ILLINOIS CENTURY NETWORK
REGIONAL TECHNOLOGY CENTER GRANTS

Submitted for: Action

Summary: Technical support for the Illinois Century Network is provided at the local level by the Regional Technology Centers established in July 2000. This item presents staff recommendations for allocation of the fiscal year 2003 appropriation of \$936,569 for the Illinois Century Network Regional Technology Centers.

Action Requested: Approval of the allocation of \$936,569 for the Regional Technology Center facilities.

Recommended Motion: *The ICN Policy Committee allocates the fiscal year 2003 appropriation of \$936,569 for the continued support of the Regional Technology Centers.*

ILLINOIS CENTURY NETWORK

REGIONAL TECHNOLOGY CENTER GRANTS

This item presents staff recommendations for allocation of the fiscal year 2003 appropriation of \$936,569 for Illinois Century Network Regional Technology Centers. The Illinois Century Network Act (PA 91-21) authorized the Board of Higher Education to fund the development of the Illinois Century Network in collaboration with other partners. Since its inception, one of the key factors that has distinguished the Illinois Century Network from other statewide network efforts, is the availability of regionally-based skilled technical support in order to ensure a level of service and quality that is second to none. The establishment and continued existence of the Regional Technology Centers is often cited by constituents as one of the service components that has contributed to the success of the network. This item provides continued funding for the Regional Technology Centers established in FY 2001.

In order to deliver effective support services, the Illinois Century Network divided the state into nine regional service areas based on Local Access and Transport Area (LATA) boundaries and constituent demographics. Each region represents approximately ten percent (10%) of the ICN constituent connections with the exception of the Chicago area which represents almost twenty-two percent (20%). The Chicago area corresponds to Region I and will continue to be staffed directly by ICN employees. A Regional Technology Center will continue to exist within each region to facilitate and maintain constituent connections to the ICN. All Regional Technology Centers will be staffed directly by ICN staff reducing distributed operating costs by over \$700,000 per year. The reduction in distributed costs has assisted the ICN to upgrade critical segments of the network in order to avoid degradation of services. Currently the Regional Technology Centers support nearly 5,500 constituents.

The attached recommendations are for eight grants to continue funding for the ICN Regional Technology Centers throughout the State. The grant period will run from July 1, 2002 through June 30, 2004.

**ILLINOIS CENTURY NETWORK
REGIONAL TECHNOLOGY CENTER GRANTS**
(July 1, 2002 – June 30, 2004)

Region II: William Rainey Harper College (Palatine)	\$165,661
Region III: Illinois Mathematics and Science Academy (Aurora)	37,032
Region IV: Iroquois-Kankakee Regional Office of Education (Kankakee)	135,977
Region V: Whiteside Regional Office of Education (Sterling)	166,365
Region VI: Peoria Regional Office of Education (Peoria)	7,042
Region VII: Parkland College (Champaign)	127,751
Region VIII: Regional Office of Education #41 (Highland)	154,486
Region IX: Southern Illinois Collegiate Common Market (Carbondale)	142,255
TOTAL:	\$936,569

Notes:

1. In every case possible, the ICN partners with regional educational institutions for necessary services.
2. Monthly expenditures include rent, utilities, and local telecommunications expenses (not including the cost of the ICN connection), and an audit amount of \$1,500 included for all but RTC VI, which is \$500.
3. All totals include funds for regionally based ICN equipment, except RTC III and RTC VI (reasons stated in items four and five).
4. RTC III is in the process of moving. Space at the Illinois Math and Science Academy space is currently in negotiation. Grant amount is an estimate and may vary by up to ten percent.
5. In November 2002, RTC VI, located in Peoria, will move to space that is included in the lease of a new Point of Presence facility currently in the process of final contract review.
6. Fiscal agent administrative costs are 10% of total grant award. Equipment budget in each year remains level funded with a five percent (5%) increase built in for fiscal agent expenses (except for RTC VI as note previously).

The staff recommends the adoption of the following resolution:

The ICN Policy Committee allocates the fiscal year 2003 appropriation of \$936,569 for the continued support of the Regional Technology Centers.

ILLINOIS CENTURY NETWORK
DARK FIBER WHITE PAPER (DRAFT)

Submitted for: Information

Summary: In September 2001, the Advanced Engineering Taskforce strongly recommended that the ICN investigate utilization of dark fiber resources to meet growing demands on the network infrastructure. In November 2001, the Policy Committee passed cost recovery policies to provide sufficient financial resources for the network to cope with continuing institutional demands. The successful implementation has a direct impact on the cost to operate in the future and each constituent of the ICN will be impacted. This item presents a draft of a white paper authored by ICN staff and updates the Policy Committee on current efforts to move forward to acquire dark fiber resources for the network.

Action Requested: None.

ILLINOIS CENTURY NETWORK
DARK FIBER WHITE PAPER (DRAFT)

The initial report of the Advanced Engineering Taskforce, published in September 2001, identified several key issues in support of the long-term scalability and sustainability of the ICN. The ability to utilize state-owned fiber to reduce overall costs and increase network efficiency was cited as the issue requiring the most immediate attention. In addition to backbone issues, the report called for additional bandwidth for the K-12 community to enable all of Illinois education to take advantage of educational applications with larger bandwidth requirements. The report was distributed in print to over 5,000 institutions in Illinois and an additional 3,000 copies were downloaded from the ICN website in less than two months.

Since September 2001, staff has answered numerous requests for information as Illinois has been recognized nationally for the success of the Illinois Century Network. Calls, e-mails, and correspondence have come from most of the Midwest states contiguous to Illinois and as far away as California, Georgia and Texas. ICN staff have had numerous conversations with Texas Speaker of the House James E. "Pete" Laney's staff regarding the success of the ICN, the Illinois Century Network Act (PA 91-21), and pending legislation (HB5910, HB5911) as Texas considers developing a telecommunications infrastructure to support education applications.

What Illinois does with the dark fiber resources owned by the state will be noticed widely by institutions within the state and by other interested parties. What the ICN does to address near term demands of educational institutions will make the difference between success and failure. At the November 29, 2001 Policy Committee meeting, a motion was passed unanimously that instructed the ICN staff to move forward and secure the lowest possible pricing for necessary services and equipment. Dark fiber is the single most effective tool to lower costs and sustain educational demand to support growth of the network. Although the statewide Advanced Engineering Taskforce has yet to submit its final report for 2002, the following preliminary points relative to the implementation of dark fiber are noted:

First, ICN technical staff should determine the selection of products such as DWDM interfaces with whatever outside help they need. This is an area of rapid change with the expectation of reduced prices over the near future. The timing of decisions should be "just in time" so that the latest technology is used at the lowest cost. Too early a decision will bring in products before the demand indicates the need, while too late a decision subjects the ICN to having to temporarily suffer from overload. The expertise on this area should be further

developed within the ICN technical staff, and these balances need to be struck by ICN management. [Note: The ICN currently has staff certified in dense wave division multiplexing (DWDM) equipment necessary for the installation and maintenance of dark fiber resources.]

Second, the decisions on the mix of outsourcing versus internal support and the associated costs for ongoing operation should be the responsibility of the ICN. ICN is in the best position to balance costs versus reliability and other factors. It is not obvious that traditional telecom vendors will be the best source for such support. It may be that the owners or operators of the primary fiber bundle from which ICN is getting its piece will be better positioned to provide support.

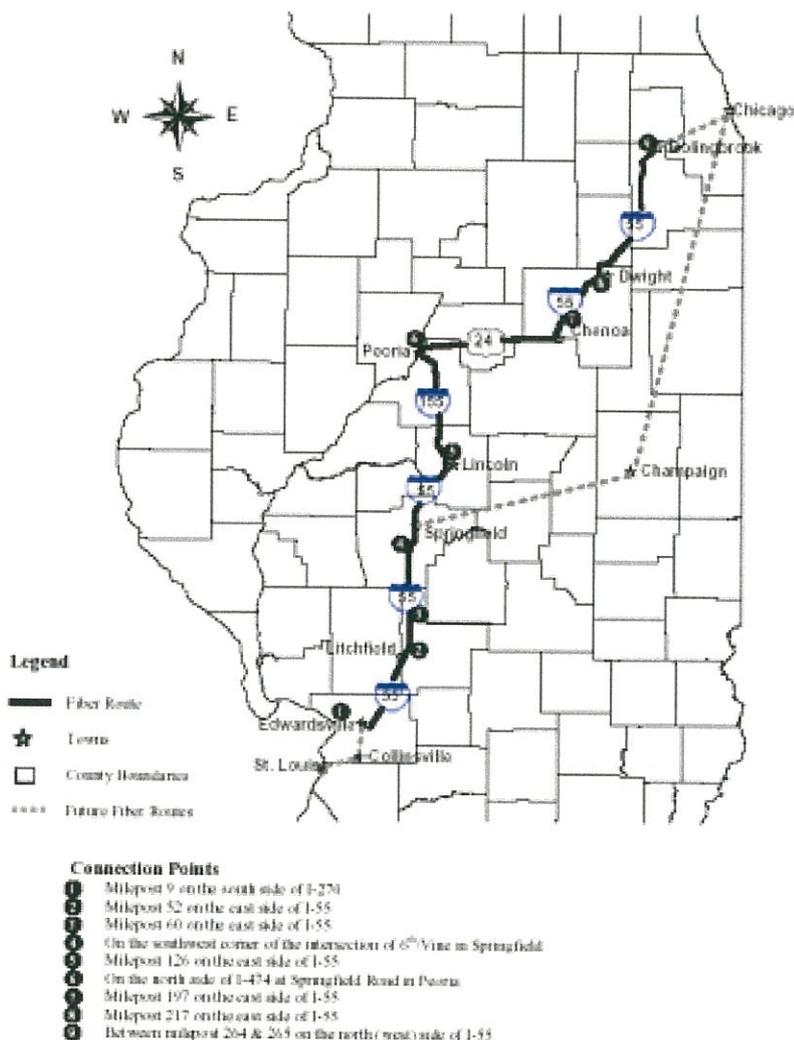
Third, it is likely that the ICN backbone will involve a mix of state controlled and otherwise leased fiber. A single entity must control the overall management and relationships with subcontractors, and manage the integration into the network.

Finally, the opportunities to work with other private fiber networks such as Abilene, I-Wire and those of surrounding states should be open to ICN. This will be easiest to bring about if the ICN has clear control of decisions and procurement relative to the backbone network essential to Illinois education.

Implementation of State-Owned Dark Fiber

The state has excellent resources available to it to serve the needs of all ICN constituents, however, final decisions regarding how the resource is utilized is the responsibility of the Department of Central Management Services. The following diagram details the route of existing state fiber.

CMS Fiber Optic Routes



There remain many unresolved issues necessary to move forward with implementation of state-owned fiber in a manner that ultimately benefits the ICN's requirements. The ICN is working with the Department of Central Management Services to finalize details and also with the I-Wire project to take advantage of vendor fiber that has already been procured. The attached white paper draft attempts to present a business case for implementation of dark fiber. The draft has been submitted to the Advanced Engineering Taskforce and to Department of Central Management Services staff for review and edits and will be distributed to the ICN constituents with an explanation of how dark fiber impacts institutional costs once it is complete.

Creation of Advanced Fiber Optics Laboratory

The ICN received notification that Cisco Systems, Inc. will partner with the ICN to build an advanced fiber optics lab in Springfield. The ICN already operates a telecommunications lab resource and Cisco's participation brings about \$500,000 worth of state of the art and pre-release equipment to support the ICN's fiber efforts. The lab will be one of the most advanced in the Midwest and it is anticipated that neighboring states will take advantage of it along with the member institutions of the I-Wire project including Argonne National Laboratory and the National Center for Supercomputer Applications.

Item #6a
March 27, 2002

ILLINOIS CENTURY NETWORK

NETWORK UPDATES: PROCUREMENT AND INVENTORY

Submitted for: Information

Summary: Since receiving procurement authority for network, equipment, and services in July 2001, staff has issued three procurement opportunities and is in the process of preparing two additional requests for proposal. This item serves to update the Policy Committee on procurement and inventory issues.

Action Requested: None.

ILLINOIS CENTURY NETWORK

NETWORK UPDATES: PROCUREMENT AND INVENTORY

Since receiving procurement authority for network equipment and services in July 2001, staff has issued three procurement opportunities and is in the process of preparing two additional requests for proposal. This item serves to update the Policy Committee on procurement and inventory issues.

To date, three procurement opportunities have been issued:

1. In September 2001, the ICN issued a Request For Proposal (RFP) for additional Internet egress. Proposals were received from twelve vendors of which seven progressed to the final evaluations. Staff is in the process of awarding two contracts that will increase total ICN egress by 934 Mb for a network total of 2.176 Gigabits. As a result of the aggressive pricing received from the RFP, the ICN's cost per Mb will decrease by \$57 per month for a total savings of \$124,032 per month or \$1.488 million per year. This amount was anticipated and cost recovery pricing for fiscal year 2003 has taken it into consideration.
2. An RFP for Cisco-certified training classes was issued in January 2002. Staff has completed the evaluations of proposals from six vendors and an award should be posted within the next few weeks. The ICN continues to invest in up-to-date training opportunities for technical staff in order to serve the needs of ICN constituents effectively.
3. Proposals were received from nine vendors in response to an RFP for caching and filtering services issued in February 2002. Staff is in the process of evaluating proposals and anticipates an award by the end of April. Caching and filtering equipment were recommended by the Advanced Engineering Taskforce in their 2001 report. Since that time, staff has investigated various types of equipment both for central installation and for institutional use and expects the selection of equipment will benefit the ICN as well as offering cost savings to constituent institutions.

Two additional procurements will be issued within the next thirty days:

1. Staff has submitted a Large Transaction Authorization request to Central Management Services to issue the request for proposal to identify and procure necessary dark fiber resources. The RFP will be issued pending this approval.

The Advanced Engineering Taskforce recommended moving forward with dark fiber acquisition and to utilize state owned dark fiber resources if possible. The ICN continues to partner with I-Wire, a research project funded by the National Science Foundation (NSF) and operated by the National Center for Supercomputer Applications and Argonne0 Labs. As a result of this partnership, the ICN anticipates lighting dark fiber between Urbana-Champaign and Chicago as early as summer 2002. The request for proposal attempts to “connect the dots” with existing state owned fiber and investigates the feasibility of other routes as well.

2. The ICN has an immediate need to upgrade three backbone circuits to meet current utilization. The current and future State network master contract vendors have reported that they do not have the capacity to provide these circuits. Therefore, the ICN has also submitted a Large Transaction Authorization form to issue an RFP for an OC3 between Macomb and Peoria, an OC12 between Collinsville and the Qwest Point of Presence in St. Louis, and an OC12 between Collinsville and Carbondale. Each of these circuits is currently peaking at ninety percent (90%) utilization and must be upgraded as quickly as possible to avoid degradation of services.

In August 2001, the ICN began the process of transferring property from the State Board of Education to the Board of Higher Education, as fiscal agent for the ICN, in accordance with the Interagency Agreement approved by the Policy Committee and signed in August 2001. The transfer process required staff to inventory all state-purchased equipment at the network points of presence (POPs), constituent sites, and Regional Technology Centers. In January, 2,729 items were transferred from ISBE to the ICN at a value of \$27,767,482. An additional 200 items remain to be transferred and staff expects to complete the process by June 30, 2002.

Also included in the property transfer was the need for the ICN to relocate equipment from the ISBE warehouse to a separate location managed by the ICN to comply with audit requirements. As of March 1, 2002, all ICN equipment has been removed from the ISBE warehouse and located at a leased space about five miles from the office at 120 W. Jefferson. Staff is currently investigating options to lease space closer to the office.

Item #6b
March 27, 2002

ILLINOIS CENTURY NETWORK
NETWORK UPDATES: COST RECOVERY

Submitted for: Information

Summary: Staff has been working diligently with ICN constituents to provide information relative to the implementation of the cost recovery model and any impact that cost recovery may have for institutional connections to the ICN. This item serves to update the Policy Committee on the implementation of the cost recovery model.

Action Requested: None.

ILLINOIS CENTURY NETWORK

NETWORK UPDATES: COST RECOVERY

Over the last several weeks nearly 2,050 packets of information have been mailed to ICN constituents with information relative to cost recovery implementation. Regional Technology Center supervisors and staff have been proactive in communicating with constituents impacted by cost recovery and have been working to discuss ICN connectivity options. Following is a brief discussion of the implementation process and the constituent response.

Implementation Process

Each cost recovery packet contained a letter from the director, a four-page document examining twenty frequently asked questions, and a one-page worksheet detailing the ICN cost recovery pricing structure. In the letter from the director, and at the end of the frequently asked questions document, constituents were informed that questions and concerns could be directed to their Regional Technology Center or the central office in Springfield. The toll free phone number in Springfield was distributed and a new email address was created to specifically address cost recovery questions. Constituents were also invited to visit a section of the ICN web page established to provide additional information and updates about cost recovery.

In order to provide information that is accurate and relevant to each constituent's status (primary constituent or non-primary constituent), connection method and potential impact from cost recovery, many of the letters had to be customized. Primary constituents with average utilization that exceeded the allotted baseline have been sent individualized reports that show the institutional utilization and provide directions for purchasing additional bandwidth from the ICN. These institutions have also been informed that upon request, the ICN will work with their technical staff to analyze their specific use of the network and suggest ways to reduce or prioritize traffic.

Constituent Response

The ICN receives calls and e-mails daily from constituents regarding cost recovery. Most are from constituents who have received the packet from the ICN and have read the material but have a question or two regarding their specific circumstance. Many of the phone calls have been from primary constituents who have read the letter informing them that, given their current configuration and utilization, there would be no costs at the current level of utilization. These individuals understood the letter but wanted confirmation that the information was correct. Most, if not all, have expressed

concerns about the ICN's ability to control costs and ensure that the stated policies would be in effect through the next fiscal year without change. Some calls were from higher education sites requesting clarification on costs that may apply to satellite locations.

Most callers seem satisfied with the information provided, complimenting the comprehensive documentation available on the ICN web site, and expressed no concern or reservation about the policy noting that the ICN continues to be the best value for Internet connectivity. There have been some calls from constituents who are concerned about the costs and the potential impact on their institution. Some of the K-12 and higher education constituents have questioned how the ICN arrived at the formula for allocating bandwidth based on enrollment and suggest that the scale will have some impact on existing plans for those applications that require greater bandwidth utilization. There have been some requests to revise this formula. Community Colleges have expressed concern regarding the use of full-time equivalent enrollment (FTE) rather than actual headcount as the basis for calculating baseline bandwidth. Some report that FTE does not accurately represent the population served by the community college or the real demand on bandwidth. Staff is gathering information and has worked with the Advanced Engineering Taskforce to consider fine tuning the policies where possible.

Some institutions have entered into multi-year contracts with telecommunications providers for access circuits to the ICN based on the expectation that the transit was to be provided indefinitely at no charge. This conflicts with the language in the ICN participation agreement which clearly states that charges may be incurred in the future and that the ICN would notify constituents as far in advance as possible. Another issue that has arisen is that some institutions that utilize larger bandwidth connections are able to secure more competitive pricing than what the cost recovery policy allows. The ICN has investigated these occurrences and has found that some of the costs for large bandwidth telecommunications circuits paid by the ICN are not competitive with regional offerings. In these cases, the ICN is preparing requests for proposal to procure circuits and enter into contracts that offer real benefit to ICN constituents rather than comparatively minor incremental improvements over previous contracts.

New constituents considering connections to the ICN are fully apprised of the ICN cost recovery policy. Of these new constituents, none have reported cancellation of the planned connection to the ICN due to cost recovery. So far, all have indicated that the ICN continues to be the best value available.

ICN quote forms have been revised to include information about the ICN cost recovery policy and all quotes to new constituents or constituents adding circuits include specific information about any charges that might apply. Staff has been fully involved in the cost recovery policy so that they are able to communicate all facets of the policy to sites that are considering connecting to the ICN.

While some constituents have raised issues about the adoption and implementation of the cost recovery policy, especially those that had been paying nothing for their ICN connection, overall there seems to be a genuine understanding among most

constituents of the need for the policy and the comparative value of the connection to the ICN. Staff will continue to provide individual assistance to all constituents, as the cost recovery policy is fully implemented effective July 1, 2002.

Item #6c
March 27, 2002

ILLINOIS CENTURY NETWORK
**NETWORK UPDATES: INTERNET 2 -
SPONSORED EDUCATIONAL GROUP PARTICIPANT**

Submitted for: Information

Summary: The Illinois Century Network has been approved as a Sponsored Education Group Participant (SEGP) in Internet 2. SEGP status provides Illinois educational institutions connected to the ICN the ability to access Internet2 through the Abilene research network. This item serves to update the policy committee about the potential of this access for Illinois K-20 education.

Action Requested: None.

ILLINOIS CENTURY NETWORK

**NETWORK UPDATES: INTERNET 2 -
SPONSORED EDUCATIONAL GROUP PARTICIPANT**

Under a new program designed to support increased access to the educational and research applications available through Internet2, the ICN has become a Sponsored Education Group Participant (SEGP) on behalf of all ICN constituents. This agreement allows the ICN to provide all eligible ICN constituents with access to Internet2 through the Abilene Research network. Without this agreement, many of the ICN constituents would be ineligible due to the size of their institution or the costs associated with individual access. Access to Internet2 will provide Illinois educators and their students with educational and research opportunities previously available only to the larger research institutions.

The goal of the SEGP program is to *bring Internet2 member institutions, primary and secondary schools, colleges and universities, libraries, and museums together to collaborate on new technologies for advancing education-networking tools, applications, middleware, and content - and to provide these technologies to innovators, across all educational sectors in the United States, as quickly and as "connectedly" as possible.*

Specifically, the approval means that under Internet2's Sponsored Education Group Participants program, the state's elementary, middle, and high schools as well as independent and community colleges, libraries and museums can connect to the Abilene Internet2 backbone network. Sponsored participants will connect to Abilene through the Metropolitan Research and Education Network (MREN) and its Chicago GigaPOP at speeds of up to 2.4 Gigabits per second.

ICN network operations staff have been working closely with the technical staff at the Abilene network operations center to make sure that all of the eligible ICN constituents would have access once the application was approved. The connections to Internet2 became active in mid March of this year.

Client services staff will be working with the regional technology centers to host a series of informational sessions designed to inform the eligible constituents of the potential available to their institutions provided by access to Internet2. Representatives from Internet2 who have worked with other SEGP states will also contribute to the information sessions.

Item #6d
March 27, 2002

ILLINOIS CENTURY NETWORK
NETWORK UPDATES: LEGISLATIVE

Submitted for: Information

Summary: HB5910 and HB5911 address the need to codify the existing Illinois Century Network Special Purposes Fund and clarify membership, duties, and responsibility of the Illinois Century Network Policy Committee.

Action Requested: None.

ILLINOIS CENTURY NETWORK

NETWORK UPDATES: LEGISLATIVE

During the current legislative session, a Progress report highlighting ICN activities was shared with all legislators (Attachment A), along with a summary statement of the number of eligible constituents connected within their districts. Two bills are pending, HB 5910 and HB 5911 (Attachment B).

HB5910 Illinois Century Network: Special Purposes Fund

Sponsored by Representative Constance Howard, the proposed legislation will create the Illinois Century Network Special Purposes Fund. The fund will be subject to appropriation, and all monies in the fund expended for the operation of the Illinois Century Network. Examples of revenues that may be deposited in the fund include: gifts, grants, or donations received from public or private organizations; funds collected as reimbursements; federal funds; and fees. An amendment was added by the House Computer Technology Committee that provides that earnings attributable to moneys in the fund shall be deposited into the fund.

The Governor and General Assembly approved appropriations from this fund in fiscal year 2002. The proposed legislation codifies the fund, as recommended by the Office of the Comptroller. The bill received an affirmative vote in the House Computer Technology Committee on February 22, 2002.

HB5911 Illinois Century Network: Policy Committee

Sponsored by Representative Constance Howard, the proposed legislation clarifies current statutory language pertaining to the management of the Network, and makes changes to the membership of the Illinois Century Network Policy Committee. The legislation authorizes the Committee to purchase and acquire services and equipment for the Network, sell to its participants equipment or services, employ and fix compensation of staff, control and manage the Network as necessary to meet the intent of enabling legislation, enter into intergovernmental agreements, accept grants and funds from federal and state governments and expend monies in accordance with the Illinois Century Network Act, procure telecommunications or computer network equipment, and to receive assignment of ownership or management rights and use of telecommunications equipment and services owned or leased by the state of Illinois or other entities providing services to Illinois citizens for use in operation of Network programs and services.

Membership of the Policy Committee would be expanded as follows: six standing members (State Library Director, State Museum Director, Executive Director of the Board of Higher Education, the President and CEO of the Community College Board, the State Superintendent of Education, and the Director of the Department of Central Management Services, or their respective designees), up to six appointment members, including representatives from private K-12 education, private higher education institutions, or other participant constituents not already represented on the Committee. In addition, the Governor is to appoint a seventh member as a chairperson.

These statutory changes are necessary to better define the role of the Illinois Century Network in providing services to K-12 schools, community colleges, colleges and universities, libraries, and museums, which are defined as primary constituents. As a result of the statutory changes, the Illinois Century Network, already recognized as a consortium for federal grant and e-rate purposes, would be able to operate as a consortium on behalf of constituent institutions to provide required services. The legislation codifies some existing operations and streamlines operations allowing the Network to be of greater service to meet the needs of its constituents.

The bill received an affirmative vote in the House Computer Technology Committee on February 22, 2002.

92_HB5910

LRB9214117Repk

AN ACT concerning the Illinois Century Network.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Illinois Century Network Act is amended by adding Section 25 as follows:

(20 ILCS 3921/25 new)

Sec. 25. Illinois Century Network Special Purposes Fund. There is hereby created the Illinois Century Network Special Purposes Fund within the State treasury. Deposits into the Fund shall include but not be limited to any funds appropriated to State agencies for the operation of the Network, funds collected as reimbursements, fees for network partnerships, and federal funds. Deposits into the Fund shall include any gifts, grants, or donations received by the network from any public or private organization including State and federal agencies. Subject to appropriation, all moneys within the fund shall be expended for the operation of the Illinois Century Network, including building and maintaining the Network and its supporting connections.

Section 10. The State Finance Act is amended by adding Section 5.570 as follows:

(30 ILCS 105/5.570 new)

Sec. 5.570. Illinois Century Network Special Purposes Fund.

Section 99. Effective date. This Act takes effect upon becoming law.

92_HB5911

LRB9215050BDtm

AN ACT concerning the Illinois Century Network.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Illinois Century Network Act is amended by changing Sections 10, 15, and 20 as follows:

(20 ILCS 3921/10)

Sec. 10. Illinois Century Network. The Illinois Century Network shall be a service creating and maintaining high speed telecommunications networks ~~network~~ that provide ~~provides~~ reliable communication links to and among Illinois schools, institutions of higher education, libraries, museums, research institutions, State agencies, units of local government, and other local entities that provide services to Illinois citizens. The Illinois Century Network shall build on existing investments in networking schools, colleges, and universities, avoid duplication of future efforts, maintain sufficient capacity to meet the requirements of the participating institutions, and stay current with rapid developments in technology. The Illinois Century Network shall be capable of delivering state-of-the-art access to education, training, and electronic information and shall provide access to networking technologies for institutions located in even the most remote areas of this State.

(Source: P.A. 91-21, eff. 7-1-99.)

(20 ILCS 3921/15)

Sec. 15. Management of the Illinois Century Network.

(a) Staffing and contractual services necessary to support the network's activities shall be governed by the Illinois Century Network Policy Committee. The committee shall include:

(1) 6 standing members as follows:

(i) the Illinois State Library Director or designee;

(ii) the Illinois State Museum Director or designee;

(iii) the Executive Director of the Board of Higher Education or designee;

(iv) the Community College Board President or designee;

(v) the State Board of Education State Superintendent or designee; and

(vi) the Director of Central Management Services or designee;

(2) up to 7 members who are appointed by the Governor and who:

(i) have experience and background in private K-12 education, private higher education, or who are from other participant constituents that are not already represented;

(ii) shall serve staggered terms up to 3 years as designated by the Governor; and

(iii) Shall serve until a successor is appointed and qualified; and

(3) a Chairperson who is appointed by the Governor and who shall serve a term of 2 years and until a successor is appointed and qualified.

(b) Illinois Century Network Policy Committee members shall serve without compensation but shall be entitled to reimbursement for reasonable expenses of travel for members who are required to travel for a distance greater than 20 miles to participate in business of the Illinois Century Network Policy Committee. ~~provided by the Board of Higher Education, the Illinois Community College Board, the State~~

~~Board of Education, and other agencies as necessary or warranted, using funds appropriated to these agencies for this purpose.~~

(Source: P.A. 91-21, eff. 7-1-99.)

(20 ILCS 3921/20)

Sec. 20. Illinois Century Network Policy Committee. The Illinois Century Network Policy Committee shall set general policies for the network. The Committee shall have the following additional duties and powers:

(1) to purchase, acquire, or receive equipment and agreements or contracts for services for the benefit of the Illinois Century Network or its participants;

(2) to sell or convey equipment or services desirable for network operations to its participants at reasonable costs incurred in the acquisition of the equipment or services;

(3) to employ and fix the compensation for employees as it deems reasonable to achieve the purposes of this Act;

(4) to establish and maintain petty cash funds as provided in Section 13.3 of the State Finance Act;

(5) to make, amend, and repeal bylaws, rules, regulations, and resolutions that are consistent with this Act;

(6) to make and execute all contracts and instruments necessary or convenient to the exercise of its powers;

(7) to exclusively control and manage the Network and all moneys that are donated, paid, or appropriated for the creation, improvement, and operation of the Network;

(8) to prepare and submit a budget for the necessary and contingent operation expenses of the Network;

(9) to accept grants and funds from the federal and state governments and any federal or state agency and to expend those moneys in accordance and in furtherance of the purposes of this Act;

(10) to enter into intergovernmental agreements with other governmental entities, including but not limited to, the Board of Higher Education, the Illinois Community College Board, the State Board of Education, the Department of Central Management Services, and local education agencies, in order to implement and execute the powers and duties set forth in this Act;

(11) to acquire or procure telecommunications or computer networks or related services, alone or in cooperation with other governmental or education entities, as may be of reasonable benefit to the Network or its participants for the general purposes set forth in this Act; and

(12) to receive assignment of ownership or management rights and the use of telecommunications equipment and services owned or leased by the State of Illinois or other entities providing services to Illinois citizens for use in operation of Network programs and services. ~~consist of representatives from (i) the Office of the Governor, appointed by the Governor, (ii) the Board of Higher Education, appointed by the Board of Higher Education, (iii) the Illinois Community College Board, appointed by the Illinois Community College Board, (iv) the State Board of Education, appointed by the State Board of Education, and (v) other public and private partners as are necessary, appointed by the Governor.~~

(Source: P.A. 91-21, eff. 7-1-99.)

Section 99. Effective date. This Act takes effect upon becoming law.

Item #6e
March 27, 2002

ILLINOIS CENTURY NETWORK
NETWORK UPDATES: E-RATE FUNDING

Submitted for: Information

Summary: The Illinois Century Network has recently submitted its E-Rate application for the fifth year. This item serves to inform the Policy Committee about the federal E-Rate program and how the Illinois Century Network constituents have benefited from the program.

Action Requested: None.

ILLINOIS CENTURY NETWORK
NETWORK UPDATES: E-RATE FUNDING

In January 2002, the Illinois Century Network submitted its application for the fifth year of E-Rate funding. The year five application is based on eligible expenditures for fiscal year 2003; which are anticipated to be \$11,677,070.

What is E-Rate?

E-Rate was created with The Telecommunications Act of 1996 which established policies for the "preservation and advancement of Universal Service." Prior to 1983, AT&T's internal rate structure was designed to make sure all Americans could afford telephone service wherever they lived. The divestiture of AT&T led to the establishment of an explicit Universal Service Fund to keep telephone service affordable in a competitive telecommunications market.

Until 1996, the Universal Service Fund compensated telecommunications companies that provided service to both low-income communities as well as areas where the cost of providing service was high. In the Telecommunications Act of 1996, Congress expanded the reach of the Universal Service Fund to provide support for rural health care providers, schools, and libraries.

The Universal Service Fund is generated through contributions from all telecommunications companies in the United States, including local and long distance phone companies, wireless and paging companies and pay phone providers. The Universal Service Administrative Company administers the Universal Service Fund under regulations promulgated by the Federal Communications Commission (FCC). Although consumers benefit from the Universal Service Fund, only companies that provide telecommunication and other services may draw money directly out of the Universal Service Fund, which defrays the cost of delivering discounted service to consumers.

How does it work?

Eligible schools and libraries may receive discounts on eligible telecommunication services ranging from 20 to 90 percent, depending on economic need and location (urban or rural). The level of discount is based upon the percentage of students eligible for the National School Lunch Program or other federally approved alternative mechanisms contained in the Improving America's Schools Act. Libraries use the discount percentage of the school district in which they are located.

Discounts may be applied to eligible telecommunications services, Internet access, and internal connections. Eligible services range from basic local and long distance telephone services and Internet access services to acquisition and installation of equipment to provide internal connections.

Schools and libraries apply for discounts on an annual basis. Once a funding request has been accepted and approved, the school or library will receive the applicable discount on its telecommunications services, Internet access and/or internal connections, and pay the remaining portion of the costs to the service providers. The service providers, having presented discounted bills to participating customers, will be reimbursed by the Fund Administrator for the cost of the approved discounts. It is also possible for the school or library to pay the above bills in full and to be reimbursed for the discounted amount through the filing of a Form 472, Billed Entity Applicant Reimbursement (BEAR) Form. The ICN pays its vendors in full and uses the BEAR form to claim reimbursement.

Who is eligible to receive discounts?

- **Schools** that meet the statutory definition of an elementary or a secondary school found in the Elementary and Secondary Education Act of 1965 (20 U.S.C. Section 8801 (14) and (25)). They must not be operating as for-profit businesses, and may not have an endowment exceeding \$50 million.
- **Libraries** that are eligible for assistance from a State library administrative agency under the Library Services and Technology Act. They must not be operating as for-profit businesses and their budgets must be completely separate from any schools (including, but not limited to, elementary and secondary schools, colleges, and universities).
- **Consortia.** A school or library can apply for discounts on services as part of a consortium with other entities within its community (e.g., with other schools, libraries, governmental entities, or health care providers). They may also apply as part of a consortium with private, for-profit entities. That is, consortia may include both eligible and ineligible entities. Ineligible entities are those members of a consortium that are not entitled to a discount. Entities not eligible for universal service discounts, however, may benefit from lower *pre-discount* prices from market aggregation.

How is the discount amount determined?

The total program reimbursement is subject to a \$2.25 billion annual cap. As the number of entities applying for reimbursement grows, the total requests begin to exceed the \$2.25 billion cap. To address these shortfalls, the FCC established revised funding priorities and a method of assuring that, if requests for discounts exceed funds available, the poorest schools and libraries obtain the greatest benefits from the Universal Service support mechanism, and needs of other applicants are honored as well.

- **First priority** is given to telecommunications services and Internet access. All applications received or postmarked within the application-filing window, will be allocated funds.
- **Second priority** is given to internal connections. Among the requests for internal connections, the schools and libraries in the highest need category (those qualifying for the greatest discounts) are first allocated the remaining funds, continuing to the progressively less needy, as long as funds remain available for requests received or postmarked inside the filing window.

How has the ICN benefited from E-rate?

The network has applied and received funding every year since the program's inception beginning with fiscal year 1999. Following is a breakdown of the funding received by program year. Receipt of federal e-rate funds occurs in the year after the applicable calendar year.

Program Year	Calendar Year	E-Rate Funds Received
1	1999	\$3,097,986*
2	2000	\$2,396,193
3	2001	\$2,370,058**
4	2002	\$2,461,655**
5	2003	\$3,270,000**

*Based on 18 months

**Anticipated amounts based on current E-rate policies.

What is the future of the program?

There is some speculation that the current system will be dismantled and that the funds will be disbursed to the schools as block grants. An impact analysis conducted by the Illinois State Board of Education indicates that the majority of states will realize increased funding under a block grant program including Illinois. To date, the discussions to shift the E-Rate program to block grants is very preliminary, but will be monitored closely by the ICN and the Illinois State Board of Education. Should this occur, the ICN will be required to bill constituent E-rate participants to recover the amount currently provided to the ICN.

Item #7
March 27, 2002

ILLINOIS CENTURY NETWORK

EXECUTIVE SESSION

Submitted for: Action

Summary: A closed executive session is requested for the purpose of discussing personnel issues.

Action Requested: Approval of staff recommendations regarding personnel.

Item #7
March 27, 2002

ILLINOIS CENTURY NETWORK

EXECUTIVE SESSION

The Policy Committee will meet in Executive Session today. Under the Open Meetings Act, there must be a motion adopted in open session to authorize an Executive Session. A quorum must be present, and the motion must be approved by a majority of the quorum with a recorded vote. A quorum is present. I would now ask if we could have a motion and a second to authorize an Executive Session, as follows:

“I move that the Policy Committee go in to closed Executive Session at _____ p.m., Wednesday, March 27, 2002 for the purpose of discussing Illinois Century Network personnel issues pursuant to Section 2(B)(1) of the Open Meetings Act.