ILLINOIS CENTURY NETWORK

POLICY COMMITTEE

MEETING AGENDA

September 17, 2003 2:00 p.m.

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September 17, 2003
2:00 p.m.

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Item #1
September 17, 2003

ILLINOIS CENTURY NETWORK

JUNE 18, 2003 POLICY COMMITTEE MINUTES

Submitted for:	Action
Summary:	Distribution of the June 18, 2003 minutes for review by the Policy Committee.
Action Requested:	Adoption of the June 18, 2003 minutes.
Recommended Motion:	*That the ICN Policy Committee adopts the June 18, 2003 minutes with any edits as noted.*

ILLINOIS CENTURY NETWORK

JUNE 18, 2003 POLICY COMMITTEE MINUTES

The meeting was called to order by Mary Reynolds.

Members present: Mary Reynolds; Jean Wilkins, Illinois State Library; Bruce McMillan, State Museum; Todd Jorns representing Joe Cipfl, Illinois Community College Board; Dave Tretter representing Don Fouts, Federation of Independent Illinois Colleges and Universities; Alice Engle representing Michael Rumman, Department of Central Management Services; Dan LaVista, Illinois Board of Higher Education; Brian Foster, Illinois Hospital Association; Lugene Finley, Illinois State Board of Education (Lugene was able to join later in the meeting via conference call).

Others attending included: Alan Burgard, Department of Central Management Services; Anne Craig, Illinois State Library; Kathy Knezevich and Dominic Saebeler, SBC; Charlie Campbell; Bob Baylis; Dave Bowles; Tony Morrow; Neil Matkin, Lynn Murphy, Rebecca Dineen, Lori Sorenson, Cindi Hitchcock, George Badger, Jean Taylor, and Gary Shaffer all from the Illinois Century Network.

1. Policy Committee Minutes

Staff requests the adoption of the February 19, 2003 meeting minutes.

Motion: Brian made the motion; Dan seconded.

Brian moved that the ICN Policy Committee adopt the February 19, 2003 minutes with any edits as noted. (No edits were noted.)

2. Announcements

No announcements were made.

3. Remarks

The ICN staff is busy with audit and transition issues. Staff is currently pulling approximately 1,000 Letters of Agency for a federal review of the e-rate program year 6. It is not a full audit, just a review of materials submitted. The Auditor General is currently working with ICN fiscal staff conducting their routine biennial audit. The staff has also been involved in compiling materials for the CMS consultant hired to examine ICN and CMS' Bureau of Communications and Computer Services (BCCS).

4. Advanced Engineering Taskforce: 2003 Report

Neil introduced George Badger and noted that George has resigned his duties as Chair of the Advanced Engineering Taskforce (AET) so that he can, once again, retire. The report presented is the third report produced by the Taskforce. Their annual report has been the most widely published ICN document. The report is sent to approximately 5,000 constituents in Illinois and is downloaded by an additional 4,000 – 5,000 individuals worldwide.

George provided a brief overview of the AET Report. He specifically mentioned three areas – controlling costs while preserving quality, increasing capacity to schools, and addressing the digital divide.

A key issue to controlling costs is the use of dedicated fiber which provides an effective way of keeping up with explosive growth while containing costs. Over the years, the capacity of a single pair fiber has increased exponentially. The fiber has a very long life and the electronics only need to be replaced after three or four years. Changing the electronics allows you to run data over the same fiber year after year. The ICN staff is in the process of acquiring fiber that would be dedicated for use on the backbone. It is very important that the ICN move ahead and complete the procurement of the fiber. Bids were solicited at a time when the market was willing to provide dedicated fiber; however, companies are beginning to back off from this position because it is more profitable to sell bandwidth and services. One big impact the ICN has made on controlling costs is bulk purchasing. This is an area where the buying power of multiple schools is enough to interest the telecommunications companies. The AET encourages the staff to investigate bulk purchasing of higher speed circuits.

Community colleges are the main producers of online content used by high schools for advanced courses and continuing education. The AET has warned that a wave of content was coming, but this year it was obvious that schools did not have the capacity to receive a good deal of the materials available. For example, the Art Institute has built a lot of video based scholastic materials tailored to the Illinois curricular requirements for art instruction. Schools must have adequate, affordable bandwidth in order to take advantage of such applications. Development of content is what pulls demand and the biggest barrier to developing content is the time and resources available to teachers. Teachers are going to need assistance in order to encourage the development of educational materials.

The digital divide refers to areas of the state not well served by existing telecommunications facilities. These are the same areas typically not reached by government services, healthcare, and education in general. The network provides a road for these services to cross the digital divide very effectively. This issue was one of the driving motivations for initial funding of the network because it is one of the most difficult barriers for an organization to cross. The market isn't big enough to pull

services into most underserved areas. Forming partnerships with economic development groups is also very important. There is interest within relatively small towns in economic development and the sharing of facilities. The ICN can work with these groups legitimately if it does not impede on established vendors already making services available. Another way to help close the gap is by extending the backbone closer to clientele so that local costs are not as great. One alternative proposed in the original ICN plan was to route excess capacity to the community colleges which could act as backbone points of presence. This has happened to some degree. The ICN, in partnership with local organizations, could certainly build up the economic development capabilities of some areas. There is not enough funding to do it across the state, but there is enough to solicit some proposals and see what partnerships can be formed. The network is also very important to rural healthcare. There is a great service and financial opportunity involved because the federal government offers grants for these types of initiatives.

Through all of these issues there is one common thread: the ICN needs to focus on the full range of technologies (telephone circuits, cable TV, and wireless) that are available to deliver service. There has been an increased interest in using the power distribution system on which data is sent through the power lines along with electricity. The federal government is taking a great interest in this capability as a way to cross the digital divide because most people in the United States have electricity even if they don't have good telephone service. The AET encourages the ICN staff to investigate this resource. Power co-ops may be potential solutions as they tend to be out in rural areas and have more of a public service interest and a more localized focus. Another area that is developing rapidly is wireless. There are still some issues surrounding the use of wireless technologies but the basic problems are being solved. The ICN staff has been looking at all of these options.

George also mentioned the technology Voice over Internet Protocol (VoIP). VoIP has worked extremely well for corporate customers with a large traffic volume between a few sites. After examining traffic in the education community, there is not likely to be a great value in offering that service at this time. It may be valuable for state agencies with several offices in high density areas, but the equipment can be expensive.

Earlier this year, the AET produced a transition report in which they noted that the ICN is an accomplishment that the state should not compromise. Illinois has a historic role as a central player in the telecommunications industry. The AET sees an opportunity for the state to use the ICN to maintain that role. Illinois is still playing a leadership role in the high end of networking through projects such as Internet2, I-wire, and the Chicago Area Project. There are opportunities to stay on the forefront and ICN can play an integral role, especially in terms of training and education.

Neil gave a brief overview of some of the activities the ICN staff has been involved with that align with the direction of the AET. The staff has participated in meetings with Representative Connie Howard's computer technology committee and with

Representative Ruth Munson's sub-committee on the digital divide. The staff has also been working under non-disclosure agreements with Central Illinois Power Service and other large co-ops across Illinois and Missouri in cooperation with MoreNet, the education network in Missouri. A pilot project has been planned for Pawnee. The models that we have seen apply anywhere there is an electrical circuit in the state and has the potential to put Illinois first in the nation to network rural areas. The staff has tested the technology George referenced which is able to carry bandwidth in excess of DSL offered by local telecommunications companies throughout the state at a price of $30 per month and an over subscription rate of 15 to 1which is better than the rate carried by cable modem and commercial DSL. The staff has examined some VoIP applications, but, as George noted, often the investment is not worth the return for constituents. Most projects are currently on hold in order to concentrate on transition issues.

In regards to choosing a new AET chairman, Neil suggested the staff forward names of individuals who have expressed interest and bring a nomination to the next meeting. The Policy Committee agreed with that process.

Mary asked if there is an update on the dark fiber contracts. Lori replied that bids were received earlier this year. Evaluation teams reviewed the bids and prepared a recommendation for award which was sent to CMS in February. The staff has not heard anything further. In the meantime, the staff continues to keep in contact with vendors in order to move forward as much as possible (getting more clarification and more details) without making the award. Vendors are still interested at this point. Alice commented that she was not aware that the contracts were still within CMS, but that she would check their status. The large expenditure approval is probably at the Governor's office and the request to issue the RFP has been sent to CMS legal.

The dark fiber between the Department of Transportation and CMS is still not lit; however, that is still the intent. Neil commented that lighting the fiber could cut millions from the ICN's current costs and the sooner it is lit the better off the state will be. It has been mentioned before that dark fiber could increase bandwidth by a minimum of 16 times at the same cost, but it has been in the ground for five years unused.

Alice noted that she and Walt Erchinger sit on the dark fiber evaluation committee with the ICN, and CMS is still supportive of dark fiber. She also noted that there are approximately six more years on the IRU with Williams for the I-55 fiber.

Mary thanked George for his commitment and dedication. He was at the forefront of the original concept of the ICN and has been involved ever since. Mary also thanked the Advanced Engineering Taskforce for the work that they have done in support of the ICN.

Motion: Jean made the motion; Bruce seconded.

Jean moved that the Illinois Century Network Policy Committee accepts and endorses the 2003 report of the Advanced Engineering Taskforce.

Motion passed.

5. Budget Update: Fiscal Year 2003 Status and Fiscal Year 2004 Preliminary Budget

Cindi Hitchcock provided an update on the current fiscal year 2003 (FY03) budget and proposed fiscal year (FY04) budget. Cindi reported that e-rate projections are dramatically less than what was previously expected. A portion of the money has been received and the staff does expect to receive another small reimbursement before the end of the fiscal year. Staff has been assured the additional balance will be received in FY04. Payments to several states have been delayed. The staff has been working with approximately 15 other states and the Federal Communications Commission in order to process payments. They are being delayed because of deficits in the federal fund which delays payment to the telecommunications companies which, in turn, delays payments to the ICN. Full approval has been given on years three and four and the program is currently processing years five and six. Spending has been kept at a minimum to accommodate the delay in receiving e-rate money. Equipment purchases have been prioritized so that purchases can be made as the funds are received.

Cost recovery receipts are projected between $1.7 and $1.8 million for FY03. The accounts receivable turn around has been exceptional. The staff is still working to keep prompt payment interest payments at a minimum. The dollar amount actually paid in prompt payment has been less than originally projected. The current backlog at the Comptroller's office is causing them to hold invoices for approximately 12 weeks.

The Regional Technology Centers (RTC) will not require any additional funding in FY04. A small amount of money that had been set aside in the RTC grant in FY03 for emergency equipment purchases has been transferred to pay for leases and other obligations to the RTC fiscal agents in FY04. The fiscal agents have been notified, but this issue will need to be revisited after the transition. Funds not used by the end of FY04 will be returned to the general revenue fund.

Costs for build out of space, NOC changes, and additional storage space had been projected; however, those will not occur due to budget constraints.

Fiscal year 2004 revenues are based on the $25.5 million appropriation to CMS earmarked for the ICN. E-rate projections are lower reflecting what has been approved to date. Cost recovery is anticipated at $2 million. Overall, the budget is reduced from FY03. The personnel line has been reduced and a variance in the telecommunications line reflects a decrease due to reduction in contract amounts and an increase over what was spent to date this year to accommodate equipment purchases that have been delayed.

Neil expressed his thanks to Cindi and her staff. They have worked extremely hard, especially on avoiding prompt payment act payments. That effort alone has saved the ICN more than $100,000.

Motion: Dan made the motion; Jean seconded.

Mary asked for a roll call vote.

Rebecca recorded aye votes from David, Alice, Dan, Brian, Mary, Jean, and Bruce. Lugene had not yet joined the meeting making him unavailable for the roll call vote.

Motion passed by majority vote.

6. Implications of the Change in Appropriation from the Illinois Board of Higher Education to the Department of Central Management Services

Illinois Century Network funds have been transferred from the Illinois Board of Higher Education (IBHE) to the Department of Central Management Services (CMS). The appropriated funds of $25.5 million were transferred to the Communications Revolving Fund (CRF) along with other technology initiative funds. The ICN funds are earmarked in a line item.

There are several issues to consider during this transition and an interagency agreement is being drafted as an interim solution to questions surrounding the transfer of staff. The agreement presented today is draft three. The highest concern is that the staff be impacted in the least possible way giving them as much notice as possible if changes are going to occur. The possibility of keeping staff under the fiscal agency of IBHE for an undetermined period of time has been discussed and is addressed in the agreement. IBHE is subject to different personnel policies and systems than CMS making the transfer difficult. The maximum term of the agreement is one year.

At this time, both IBHE and CMS intend to move forward with the agreement. Dan commented that IBHE has had input into the agreement and that his views and the views of the IBHE chairman are reflected in the current draft. The draft has also been reviewed by CMS staff and the legal counsel of both agencies.

Regarding the earlier discussion of the AET report, Dan questioned the recommendations George made in his cover letter regarding an integration of ICN and CMS. George replied that these recommendations grew primarily out of discussions and work from two sub-groups of the AET. The points in the report came out of a desire to protect a network that was working despite the uncertainty. George also noted that similar to other advisory groups, the AET does not like uncertainty and is cautious about how the change might occur wanting to protect the interests of the ICN clientele as much as possible. The constituents have a great deal of confidence in the ICN management, staff and

governance systems currently in place. Constituents are also made nervous by receiving little detail regarding funding, purpose, and retention of the staff.

Alice stated the intention of CMS is to protect and preserve the existing staff, infrastructure and funding so that the ICN can continue to benefit its constituents. Alice also noted that she agreed with George's fourth recommendation of combining efforts. There is a lot to be gained from combining BCCS with the ICN and dark fiber is an integral piece of that. She whole heartedly believes that this could be a good thing for the state.

The future of the Policy Committee was discussed. There was no change in legislation; therefore their role should not change. Alice stated that CMS intended to leave the Policy Committee in its current role. Alan confirmed that was CMS' position.

Mary reiterated that there is a lot of uncertainty surrounding the transition and questioned whether there is a way to inform the constituents once a plan had been determined. The uncertainty is causing several constituents to consider leaving the ICN and communication with them will aid in their decision making process. Alice believes that the constituent will see no change other than writing a check to the CRF rather than ICN. There will be no material impact. Alice agreed that once the interagency agreement is signed and in place a joint message to the constituents was entirely appropriate and would be disseminated to all constituents.

Neil noted that a part of the unrest was the ICN's fault for not providing the level of information usually communicated to the constituents during the legislative session. The ICN's silence was due for the most part to our own uncertainty in so many areas. The ICN staff has received emails and telephone calls questioning the transition and the staff response has not been negative. The staff has encouraged constituents not to abandon the network and has been able to calm some fears. The staff has been hesitant to send out a message that they could not stand behind.

Returning to the future of the Policy Committee, Dan commented that the importance of the Policy Committee relative to constituents is that the members represent them around the table. If the purposes and functions of the ICN are absorbed into CMS and the ICN were abolished, would the Policy Committee not also be abolished? This issue impacts the comfort level of the constituents. The intent at this time is to keep the ICN and its governing board intact until after the initial consultant review which could take quite a bit of time.

Other considerations are budget preparation, fiscal years and the timing of federal grants for K-12 schools and libraries. The ICN staff normally takes a nine day tour of the state in September holding meetings in each region to present and discuss anticipated cost recovery changes. The reason for this timing is so that feedback and recommendations can be brought back to the Policy Committee in time for November which marks the

beginning of budget processes for many institutions. The evaluation/analysis needs to consider these types of deadlines as a long term strategy is put into place.

Mary questioned the consultants estimated timeframe. Alan responded that the evaluation and transition could take months and constituents should not anticipate any changes in the near term. He also acknowledged that the evaluation/analysis needs to consider deadlines like those discussed as a long term strategy is put into place.

Brian encouraged CMS to move as quickly as possible. There are grant monies that should become available in the next few months allowing more hospitals to connect. However, during this transition period it is difficult to talk about long term viable network options and answer questions posed by healthcare professionals. The staff cannot move to bring new constituents on during this time.

Mary mentioned the topic of homeland security in regards to public health entities and hospitals and county and local governments. Homeland security was also mentioned in the AET report.

George questioned what kind of consultant was coming in to do the evaluation as the consultant's background could influence the conclusions. Alan replied that he had not yet met the consultant, but would be meeting with him tomorrow. Based on the guidance and wishes of the CMS Director, the consultant is looking for the right answer.

Mary offered the Policy Committee's assistance in the review in the interest of protecting the concerns of the groups they represent. Alan replied that CMS wants to take no action until they are confident that the action taken will benefit everyone.

Lugene joined the meeting and commented on the importance of the interagency agreement in the transition between IBHE and ISBE.

The staff is asking for input on the agreement in the next 24 – 36 hours because of the close deadline. Dan noted that the IBHE Chairman had hoped for counsel from this group. Lugene would like the opportunity to discuss the agreement with the State Superintendent. Neil stated that the Policy Committee needs to grant the Director authority to sign the interagency agreement although the action does not mean he will move on the agreement without the Committee's counsel.

Mary questioned the staff's employment status. The staff will continue as is until the end of the contract. Lugene questioned whether a CMS representative had spoken with the staff as a whole. Two weeks ago, Neil met with Director Rumman and members of his staff to discuss items in a broad perspective that need to be addressed. Last week, Director Rumman, Bill VanHuis, Alan Burgard, and Dawn Defraties met with the staff as a whole and discussed next steps and the Director's vision and direction for the future.

Mary questioned whether network user fees would also continue as is so the staff can assure constituents that the network billing will continue as it has until fully reviewed. Alice agreed that fees would not change during this time period.

The idea of sending a joint letter to constituents was revisited. Alice feels that as soon as there are definitive answers to basic questions a joint document would be appropriate. Neil has spoken with Director Rumman regarding a joint document and he agreed that it should be done. A letter to constituents will be sent after the agreement is final.

Jean agreed that sending a joint letter to constituents would be a good idea. She commented about how many people in the library community are aware of the situation and how they are anxious to know whether or not their costs are going to go up. Jean also questioned whether or not the consultant would be speaking with constituents. The State Library has had a budget reduction for the regional library systems ($2.4 million reduction in overall funding for the coming year). One system in Southern Illinois realized enough savings in the telecommunications area by connecting to the ICN that in the last twelve months that they were able to offset their reduction in budget. The consultant might seek out constituent input such as this or seek out Policy Committee members who can direct him to constituents. Alan replied that they would make the recommendation, but that the consultant will likely make contacts as he feels is appropriate.

The consultant's main focus is the ICN and BCCS. He is not currently examining any other area of CMS.

Motion: Bruce made the motion; Jean seconded.

Bruce moved that the Illinois Century Network Policy Committee authorizes the ICN Director to enter into an interagency agreement with the Board of Higher Education and the Department of Central Management Services to facilitate an orderly transition of operations to the Department of Central Management Services.

Motion passed.

The appropriation was discussed further. In addition to the $25.5 million transferred to CMS for the ICN, education technology funds from ISBE and the Illinois Community College Board (ICCB) were also transferred. The total amount moved is just over $27 million. The funds designated for initiatives other than the ICN are significantly lower than in FY03. Lugene noted that a portion of ISBE money was transferred to CMS, but the Tech for Success dollars were restored to ISBE by the general assembly. The final appropriation was $11.5 million, down from $25 million the previous year. ISBE staff is now trying to determine what will be devoted to the Illinois Virtual High School and grants provided through that fund. Monies will have to be reallocated and some programs may be cut. Alan acknowledged that there was some confusion regarding the

funds transferred. CMS was named in two appropriation bills, one of which had slightly more than $27 million including ICN, ISBE and ICCB programs. CMS has been in contact with the Office of Management and Budget to determine how CMS will interact with the education agencies to administer the funds. Todd raised concerns over the reduction in ICCB funds and how it could impact their ability to receive federal grants that require a match. Neil also commented on guidelines for receipt of e-rate funds which require the funds received to be invested back into K-12 technology.

7. StateNets Annual Meeting

This spring, members of the ICN staff attended the annual StateNets meeting of all the statewide education networks in the country. When the ICN began attending this meeting, the staff went to see what other networks were doing and the meeting was relatively small. This year there were 26 states represented and other networks had come to see what the ICN was doing. The staff was able to share ICN success stories and it was clear that the ICN has taken a leadership role in this group. ICN staff members were active participants in two panels: "Outreach Efforts and Enhanced Communication with Constituents" and "Developing and Maintaining Services in Lean Times". Other networks were very interested in the ICN's internal process of evaluating and deploying services. With all the ICN has accomplished, the network will continue to be recognized as a leader of this group.

8. Network Services and Update

Karlin Sink could not be at the meeting to present this item, so it will be discussed at the next meeting. Neil did note that the ICN is the first education network in the nation to carry virtually any kind of protocol. This is a goal the staff has been trying to achieve for quite some time.

Lugene stressed again how important it is to communicate to the constituents that there will be no change in service. Both CMS and the ICN are committed to doing so as soon as possible.

The Committee agreed that a quick interim email message regarding the ICN's continuation as is, pending further evaluation, was appropriate.

9. Executive Session

Motion: Jean made the motion; Bruce seconded.

Jean moved that the Policy Committee go into closed Executive Session at 3:46 p.m., Wednesday, June 18, 2003 for the purpose of discussing Illinois Century Network personnel issues pursuant to Section 2(B)(1) of the Open Meetings Act.

Motion carried.

10. Resume meeting

The meeting resumed at 4:14 p.m. No action was taken as a result of the executive session.

Motion: Brian made motion; Jean seconded.

Brian made the motion to adjourn.

Motion carried.

Meeting adjourned at 4:15 p.m.

Item #4
September 17, 2003

ILLINOIS CENTURY NETWORK

TRANSITION UPDATE

Submitted for: Information

Summary: This item serves to update the Policy Committee on the status of the ICN transition resulting from the change in appropriations form the Illinois Board of Higher Education to the Department of Central Management Services that was outlined at the June 18, 2003 Policy Committee meeting.

Action Requested: None.

Item #4
September 17, 2003

ILLINOIS CENTURY NETWORK

TRANSITION UPDATE

Due to the change in appropriation from the Illinois Board of Higher Education to the Department of Central Management Services (CMS), many issues were identified that needed to be addressed in order to make a smooth transition ensuring minimal interruption to ICN constituents and staff. At the June 18, 2003 Policy Committee, the ICN Director went through a detailed outline of the issues, followed up in writing with a letter addressed to the Director of Central Management Services.

Since that time, ICN staff has provided numerous sets of documentation outlining all ICN policies, operating procedures, and staffing responsibilities in response to requests from the management of CMS. With the new fiscal year rapidly approaching, an interagency agreement was reached between the IBHE and CMS that would allow staff to remain under the current payroll and benefits system until such time that CMS would be able to complete all of the tasks involved in transitioning the ICN staff to a new system. CMS engaged an outside consultant to determine the most effective means by which to transition the ICN into the CMS agency.

ICN staff continues to operate and maintain the network, providing world-class service to all of the ICN constituents. For the most part, the constituents have noticed no degradation of service with the exception of one major outage that was due in whole to the ICN's inability to move forward with much-needed backbone upgrades that had been scheduled for this past summer. ICN constituents have been assured that once the transition has taken place, it will be "business as usual". ICN staff is waiting for additional information from CMS and continues to dedicate their efforts to maintaining a robust, reliable network for all 5,700 connected constituents.

Item #5
September 17, 2003

ILLINOIS CENTURY NETWORK

EXECUTIVE SESSION

Submitted for: Information

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

Action Requested: None.

Item #5
September 17, 2003

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, September 17, 2003 for the purpose of discussing Illinois Century Network personnel issues pursuant to Section 2(B)(1) of the Open Meetings Act.