

ILLINOIS CENTURY NETWORK

**BUDGET UPDATE:
FISCAL YEAR 2002 STATUS AND
FISCAL YEAR 2003 PRELIMINARY BUDGET**

Submitted for: Action

Summary: This item presents the Policy Committee with a fiscal year 2002 year-to-date budget update and a preliminary fiscal year 2003 budget.

Action Requested: That the ICN Policy Committee approve the fiscal year 2003 preliminary budget subject to final appropriation.

Recommended Motion: *The Policy Committee approves the preliminary fiscal year 2003 budget subject to adjustment pending the State of Illinois fiscal year 2003 budget appropriation.*

ILLINOIS CENTURY NETWORK

**BUDGET UPDATE:
FISCAL YEAR 2002 STATUS AND
FISCAL YEAR 2003 PRELIMINARY BUDGET**

This item presents the Policy Committee with a fiscal year 2002 year-to-date budget update and a preliminary fiscal year 2003 budget. At the time of publication, the Illinois General Assembly is still in session and a fiscal year 2003 budget has not been passed. The ICN fiscal year 2003 preliminary budget optimistically assumes level funding from the State budget appropriation and anticipated revenues resulting from cost recovery and the federal e-rate program.

As reported during the March 2002 Policy Committee meeting, the year three federal e-rate funds anticipated for fiscal year 2002 were not received due to an administrative request from the Universal Service Administrative Company. The ICN is working with the State Board of Education and the Illinois State Library to secure the additional documentation requested which consists of a signed Letter of Agency from all ICN e-rate eligible constituents. The Letter of Agency provides further authorization for the ICN to apply for e-rate funds on behalf of its constituents. The ICN expects to receive the year three e-rate funds in fiscal year 2003 in addition to the year four funds; however, there is no guarantee of this occurring.

In addition to the delays in e-rate funds, the ICN's fiscal year 2002 projected funding from the State Board of Education was decreased from \$12 million to \$10.5 million. The ICN has postponed upgrades and replacements of backbone circuits, hardware, and Internet egress to the extent feasible in order to address these revenue shortfalls. For the most part, these delays have been transparent to constituents and the ICN staff expects to proceed expeditiously with the most critical upgrades in the new fiscal year. The ICN has received the \$10.5 million appropriation agreed upon from the State Board with the exception of \$171,914. These funds have remained with the State Board to cover an outstanding vendor payment that was to be paid directly by e-rate reimbursements. Due to the delays in receiving these funds, the State Board will pay the vendor directly with ICN funds and forward the e-rate reimbursement when received.

Overall, the fiscal year 2002 budget is on target to meet the adjusted projections as projects near completion and final invoices are received.

Revenues from cost recovery are expected to increase in fiscal year 2003 as the full plan adopted by the Policy Committee in November 2001 is implemented effective July 1, 2002. The staff anticipates minimal cost recovery funds from K-12, higher

education, libraries and museums as planned directing the state appropriation to these primary constituents. The majority of cost recovery revenues will come from non-primary constituents such as hospitals, municipalities, and county governments. Originally cost recovery funds were projected to be \$1.4 million, however, due to budget constraints across the state many ICN constituents have delayed bandwidth upgrades. To account for the slight downturn in previously reported trends, the projection for cost recovery revenues has been revised accordingly.

Expenditures for fiscal year 2003 reflect the transition of Regional Technology Center employees to the Board of Higher Education. This transition is most noticeable in the personnel line item which appears to increase from the previous fiscal year. In reality, the ICN's personnel budget decreases slightly (by .04 percent) in fiscal year 2003 as a result of the transfer of employees from eight independent grants to the Board of Higher Education central ICN budget line.

The largest expenditure line in the ICN budget is for telecommunications services and equipment. This line includes the ongoing costs for the lease of backbone circuits, Internet egress, lease agreements for network point-of-presence facilities, and ongoing hardware and maintenance contracts. This past year the ICN negotiated several new egress and backbone circuit contracts that have resulted in lower costs across the system. Additionally, staff is in the process of negotiating a new equipment contract which is expected to provide further cost savings on both equipment upgrades and maintenance contracts. These competitive contract prices have permitted the ICN to control costs while continuing to expand service in the largest line item in the budget.

Budget tables are attached for fiscal year 2002 to date and preliminary fiscal year 2003 budgets. Staff will present a comprehensive plan with specific items pending solidification of the state appropriation for the ICN and receipt of the Advanced Engineering Taskforce annual report.

Staff recommends the following resolution:

The Policy Committee approves the preliminary fiscal year 2003 budget subject to adjustment pending the State of Illinois fiscal year 2003 budget appropriation.

ILLINOIS CENTURY NETWORK
Fiscal Year 2002
As of April 30, 2002

REVENUE SOURCES:	APPROVED AT 11/14/02 PC Mtg.	ADJUSTED PROJECTION	YEAR-TO-DATE
IBHE Appropriation:	15,000,000	15,000,000	15,000,000
ISBE Appropriation:	10,500,000	10,500,000	10,328,086
E-Rate Reimbursement:	2,461,655	0	0
ISBE Revolving Fund:	2,827,569	2,827,569	2,827,569
Cost Recovery Funds:	100,000	100,000	66,666
TOTAL REVENUE:	30,889,224	28,427,569	28,222,321
EXPENDITURES:			
Personnel:	2,887,260	2,887,260	2,275,531
Contractual:	1,074,480	972,000	399,741
Commodities:	66,900	65,000	49,748
Equipment:	92,500	13,000	7,685
Telecommunications:	26,468,084	24,390,309	17,565,312
Regional Technology Centers:	200,000	0	0
Build Out:	100,000	100,000	6,481
TOTAL EXPENDITURES:	30,889,224	28,427,569	20,304,498

ILLINOIS CENTURY NETWORK
Fiscal Year 2003
PRELIMINARY

REVENUE SOURCES:	PROJECTION	YEAR-TO-DATE
IBHE Appropriation:	15,000,000	0
ISBE Appropriation:	10,500,000	0
E-Rate Reimbursement:	6,461,655	0
Cost Recovery Funds:	1,200,000	0
TOTAL REVENUE:	33,161,655	0
EXPENDITURES:		
Personnel:	4,065,954	0
Contractual:	1,133,200	0
Commodities:	91,800	0
Equipment:	61,500	0
Telecommunications:	26,872,632	0
Regional Technology Centers:	936,569	0
Build Out:	0	0
TOTAL EXPENDITURES:	33,161,655	0