

ILLINOIS CENTURY NETWORK

NOVEMBER 13, 2002 POLICY COMMITTEE MINUTES

Submitted for: Action

Summary: Distribution of the November 13, 2002 minutes for review by the Policy Committee.

Action Requested: Adoption of the November 13, 2002 minutes.

Recommended Motion: *That the ICN Policy Committee adopts the November 13, 2002 minutes with any edits as noted.*

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The meeting was called to order by Mary Reynolds.

Members present: Mary Reynolds, Governor's Office; Jean Wilkins, Illinois State Library; Dave Tretter representing Don Fouts, Federation of Independent Illinois Colleges and Universities; Alice Engle representing Steve Schnorf, Department of Central Management Services; Brian Foster, Illinois Hospital Association; Virginia McMillan representing Joe Cipfl, Illinois Community College Board (Joe was able to attend later in the meeting); Bruce McMillan, State Museum; and Lugene Finley, Illinois State Board of Education.

Others attending included: Anne Craig, Illinois State Library; Deborah Seale, SIU School of Medicine; Ron Sanderson, Department of Central Management Services; Lori Sorenson, Ralph Lucia, Karlin Sink, Kirk Mulvany, Gary Shaffer, Neil Matkin and Rebecca Dineen all from the Illinois Century Network.

The Policy Committee members and audience introduced themselves to Brian Foster. Mr. Foster is a new Policy Committee member and represents the Illinois Hospital Association. Mary commented that the Policy Committee has two new members that have recently been appointed by the Governor, Mr. Foster and Mr. Don Fouts, President of the Federation of Independent Illinois Colleges and Universities. The Governor took three actions regarding the Century Network based on provisions in the new legislation passed this summer. He officially named Mary as the Policy Committee Chair as she had been elected by the committee in the past. He appointed the two new Policy Committee members noted above in recognition of the growing participation and interests by sectors that have not to this date been represented on the Policy Committee.

1. Policy Committee Minutes

Staff requests adoption of the September 25, 2002 meeting minutes.

Motion: Virginia made the motion; Jean seconded.

Virginia moved that the ICN Policy Committee adopts the September 25, 2002 minutes with any edits as noted. (No edits were noted.)

Motion carried.

2. Announcements

Mary announced that the Governor has made it very clear that he wants to be very helpful to the Governor-elect during the transition. The Governor's office worked diligently to put together the transition report which represents agencies, education, boards, and commissions, among many others. The transition report has been delivered to the Governor-elect and to Mr. Wilhelm. One item that was mentioned in multiple places within that transition report was the Illinois Century Network. The ICN's mention within the report was meant to give the Governor-elect and his team a better understanding of the ICN and its growing importance to constituents statewide and to define the Policy Committee and the role it plays. The transition should begin in earnest during the next week and will continue through January.

3. Remarks

George Badger could not be here today, but he and the Advanced Engineering Taskforce (AET) have worked to create a transition report which outlines activities thus far in fiscal year 2003. The AET transition report was distributed. Neil also asked that it be included in the Governor's transition materials. The AET feels the impact of the ICN is reaching far beyond its original scope. Other items mentioned in the report include the increase in the legal issues surrounding the uses of the Internet in educational institutions, resulting in stronger institutional rules governing utilization.

Neil also commented on the numerous occurrences where the ICN is called into Internet abuse investigations. The most recent incident may involve an extradition – federal authorities are handling the issue.

The Century Line, a quarterly newsletter sent to all ICN constituents, was distributed. The ICN tries to maintain regular communication with constituents in regards to service and the staff is grateful for the opportunity to share good news both electronically and in print.

4. Cost Recovery

Ralph Lucia presented both items 4a. Fiscal Year 2003 Review (information item) and 4b. Fiscal Year 2004 Adjustments (action item).

4a. Fiscal Year 2003 Review (information item):

The ICN began sending invoices to constituents in July of this year. The table on page 12 of the agenda shows the results of the first quarter by sector. The original estimate for cost recovery this fiscal year was \$1.2 million and currently it is estimated that the ICN will collect approximately \$1.5 million. The increase can be attributed in part to unexpected growth in the student traffic on residential higher education institutions. Municipal governments represent the largest sector impacted by cost recovery, followed

by other organizations such as various social service entities, boys and girls clubs, and not-for-profit organizations that serve Illinois citizens.

4b. Fiscal Year 2004 Adjustments (action item)

As a part of cost recovery, the ICN staff is required to examine all baseline allocations provided to primary constituents as well as the fees charged to non-primary constituents annually to ensure they are in line with actual costs. There are several adjustments that the staff is submitting for Policy Committee consideration. The adjustments are listed in the agenda beginning on page 16. The staff is recommending that port charges be reduced from \$75 to \$55 to reflect lower costs accomplished through contract negotiations and greater utilization. The second adjustment is to reduce bandwidth pricing per megabit at different levels based on the number of megabits a particular constituent is receiving. This pricing scheme is in line with industry standards where larger circuits are more efficient and therefore the cost per megabit is lower. Third, volume discounts will be shared with all ICN constituents. At the present time, discounts for large volume circuits are available only to primary constituents. This adjustment expands the volume discounts to include non-primary constituents as well. Currently, this change only impacts the City of Chicago. Most non-primary constituents are not purchasing large volumes at this time. Fourth, revise the formula for calculating the amount of baseline bandwidth provided under the state appropriation. The current formula does not take the full impact of increased enrollment into account and thus has large gaps. The new formula provides a more gradual increase of baseline bandwidth allocation with each 1,000 increase in enrollment. The full time equivalency (FTE) cap considered for baseline bandwidth will increase to 22,000 allowing some large institutions to receive more bandwidth. There are very few situations where an institution would receive less bandwidth under the new formula and the staff proposes that they be grandfathered in so no institution will see a reduction in bandwidth based on the new formula. The fifth recommendation is to create an ICN Certified Content Partner program to allow for the provision of additional bandwidth or colocation services to museums, libraries or other content providers to encourage the availability of content on the network. The Advanced Engineering Taskforce and the Illinois Online Leadership Council will develop the criteria for becoming a Certified Content Partner. As soon as they are available, the details of the program will be brought before the Policy Committee. The last recommendation is to establish appropriate policies so that large reductions in bandwidth do not occur in summer months. The staff proposes residential institutions agree to a one year commitment in line with the ICN fiscal year when provisioning large amounts of bandwidth above the baseline. Ralph opened the discussion to questions.

Lugene questioned whether or not K-12 schools would still receive service at no cost. Ralph responded that the staff did not anticipate needing to pass on any costs to K-12 institutions whose usage fell below the baseline bandwidth based on their enrollment.

Lugene also questioned the benefit of using average daily attendance (ADA) rather than FTE in the formula. FTE is actually a higher number than ADA and its use provides a greater benefit for schools.

Neil commented on an example of a K-12 institution being charged a minimal fee for colocation, saving them thousands of dollars per year. A school district in the Urbana/Champaign area needed colocation space for disaster recovery and other special services. The ICN was able to provide this space at \$170 per month saving the school \$68,000 in first year charges and \$27,000 per year after.

Bruce asked for further explanation on the Certified Content Partner program as far as the criteria that are being developed, organizations that might be developing content, and if the program is being developed on a project by project basis. Ralph replied that the staff will begin working with the AET and the IOLC at their next meetings. One criterion would be that the content be used within Illinois, primarily by ICN constituents. The organizations that are certified under this program would be certified for a certain period of time. Neil commented that conversations regarding the Field Museum's baseline bandwidth and the content they had to offer brought the need for this project to the forefront. The program is targeted primarily at large schools, libraries and museums that may have unique collections to share. The certified content providers would be evaluated on an annual or bi-annual basis. Any monies granted for participation in the program would be handled in a manner similar to the content grants that were distributed in the past.

Discussion of available bandwidth and related costs to various organizations continued. Ralph is the ICN contact person for cost recovery.

Motion: Bruce made the motion; Alice seconded.

Bruce moved that the Illinois Century Network Policy Committee adopts the proposed revisions to the cost recovery model as presented.

Motion carried.

The table on page 18 of the agenda will be corrected to eliminate overlapping categories.

5. Fiscal Year 2004 Budget (Proposed)

The ICN is one of the incredible success stories in terms of value for the dollar especially in difficult economic times. To demonstrate this fact and stress the importance of dark fiber as it relates to the budget request, Neil made a brief PowerPoint presentation. Neil will make the presentation available on the website.

Neil noted that he was very proud of Lori Sorenson's staff and the fiscal staff for keeping costs under control and negotiating lower contracts which allowed the ICN to accomplish feats that would not normally be possible had the telecommunications industry been

having a more profitable year. The staff presents two budget options to the Policy Committee for consideration: one, an increase, if at all possible, to take advantage of dark fiber in the most expedient fashion; two, a budget based on level funding. At current cost projections under the level funding option, the ICN would be able to complete only part of the dark fiber implementation.

Alice noted that CMS is also involved in the dark fiber project and feels that Neil is correct in thinking this is an opportunity to take advantage of before the industry changes. According to Alice, everyone stands to benefit from dark fiber.

Mary asked what investing in dark fiber now would save the state in the future. Neil replied that exact dollars are difficult to determine without knowing the future of the telecommunications industry. Other factors that impact potential savings are usage and the speed of network growth. However, without any question, dark fiber will ultimately save the state money. So far the network has seen 153% aggregate growth and, due to the timing of the economy and other factors, the staff has been able to keep up with demand. The concern now is that this incredible growth will continue, but the resources to keep ahead of demand will not be there. The implementation of dark fiber helps provide those resources.

It was questioned whether or not any of the anticipated growth would bring in new monies under cost recovery. Neil responded that it would depend on who uses the network and how much they are using. For example, if the number of hospitals connected to the network doubles and the traffic can be sustained with the existing network infrastructure, then additional funds will be generated. However, if the number of hospitals doubles and the need for bandwidth increases then the ICN would be required to procure new or increase existing facilities. Some of the expenditures could be recovered with cost recovery but how much is, again, very difficult to predict since it is based on external factors.

Brian Foster noted that an appropriate way to look at the budget increase is as a return on investment. He is supportive of the implementation of dark fiber.

Virginia questioned why the e-rate projection is lower in fiscal year 2004. The e-rate reimbursement projection is lower because fiscal year 2003 also includes fiscal year 2002 monies not yet received.

The fiscal year 2003 state appropriation to the Illinois Century Network was \$25.5 million. An increase of \$1.5 million (\$27 million total state appropriation) to the budget as the staff proposes represents less than a 6% increase. The general feeling of the Policy Committee is that it is appropriate to ask for an increase in the state appropriation for fiscal year 2004. It is understood that the state is facing difficult economic times and that an approved increase may not be realized after budget sessions. However, this money is being requested for a purpose, not as a standard operations increase. The monies required to make an initial investment in dark fiber will save the state money in the future. Although, as Lugene suggested, the period of time in which the state will enjoy those

savings is not clear in this item and should be built into the request. The opportunity to procure dark fiber may continue, but it may not.

Neil commented again that as a result of the economy and negotiation of lower contract prices the ICN has been able to keep up with the overwhelming growth the network has experienced. However, there are few opportunities for the network to continue operating with no budget increase long term. Neil also noted that the availability and lower pricing of dark fiber is a result of an abundance of dark fiber and a need for revenue by the telephone companies – not an increased interest in selling dark fiber. Dark fiber lasts approximately 20 to 25 years. The industry is at about year five in the life cycle of the current infrastructure and in another 5 to 7 years telephone companies will be going through another growth/rebuilding phase that will make dark fiber more difficult and costly to procure.

Motion: Virginia made the motion; Jean seconded.

Virginia moved that the Policy Committee approves the proposed Fiscal Year 2004 budget represented in Option One, in the amount of \$33,000,000. (This represents a state appropriation of \$27,000,000.)

Motion carried.

6. Administrative/Operating Rules Update

At the September 25, 2002 meeting the Policy Committee asked the staff to develop an understanding of the administrative operating rules. Lori Sorenson has been working with ICN legal counsel to determine which Policy Committee motions require formal adoption under the administrative rules act. Those items are listed in Table 1 on page 28 of the agenda. Most of the items that require action impact Illinois citizens or inform ICN policies as to who may be approved or denied service and how associates costs are applied. Over the next several months the staff will continue to work with legal counsel to develop the rules. The rules will be forwarded to the Policy Committee in draft form for review and submitted for consideration at the February meeting. The staff can begin the process of posting those rules in the Illinois Register to allow for the 45 day public notice; then work with JCAR for certification and formal adoption. Once the rules are put into place they will need to be monitored and updated, as necessary, with input from the Policy Committee.

Neil mentioned that Lori had spent several hours with legal counsel determining which motions were appropriate to take to JCAR. The ICN staff was not very familiar with the process of adopting administrative rules, but has come to realize there is a lot of work involved in documenting those rules.

Lugene questioned whether the ICN is currently hosting email for any constituents, because that is a thorny legal issue that may need to be addressed within the administrative rules. Neil replied that the ICN does not host any constituent email or any

constituent websites. The ICN has seen itself as a back haul network, not as a provider for applications services for individual institutions. There has been very little interest except among the most disadvantaged institutions for that kind of service.

Mary noted that the policies going to JCAR are the functioning policies of the ICN and questioned whether the staff had drafted policies that would govern the Policy Committee. Neil replied that the Policy Committee follows informal guidelines like Robert's Rules of Order. Legal counsel informed the staff the only items that have to go to JCAR are those rules that impact Illinois citizens. For example, if the Policy Committee made the decision to stop holding open meetings and began a hearing process or in some way restricted access to the Policy Committee members, those rules would need to go to JCAR. Since meetings are currently open to the public with no restrictions other than executive sessions and since the member appointment process is outlined in the legislation, there is no overwhelming need for formal administrative rules for the Policy Committee at this time. There could be other rules the Policy Committee may want to adopt in the future that may need to go to JCAR, but the staff can seek legal counsel at that time. Currently, legal counsel has recommended the staff send as few administrative rules as possible and continue to operate according to the standard open meetings act.

Lori noted that the rules are written in a general nature and are not rewritten specifically each time a rule is changed. The general process and foundation for the rules are submitted and only changed if the basic premise changes. The Policy Committee members should contact Lori Sorenson if there are any items or actions the Committee has taken that they believe need consideration and are not currently listed.

7. Network and Services Update

Neil informed the Policy Committee that the ICN had initiated a reorganization in mid-October as a result of a more service oriented mission and the need for a 24 hour, 7 days a week, 365 days a year network operations center (NOC). An ICN staffed NOC will provide the reliable service that many constituents have requested. Fifteen employees were impacted by the reorganization. Three have agreed to take a position in Springfield, others are currently seeking employment, and still some have been able to find new employment already. Of the fifteen positions, four regional supervisor positions were eliminated, three regional clerical positions were eliminated and the remaining technical positions were transferred to Springfield. Other staff changes include moving from two Regional Coordinators, Ralph Lucia and Robin Woodsome, to one Client Services Coordinator, Kirk Mulvany. Robin will supervise RTC I and Ralph will provide assistance to the administrative services functions and focus on cost recovery. Gary Shaffer is moving from Sterling where he is RTC V Supervisor to Springfield where he will supervise the new NOC and seek out new intern opportunities. All of the changes are designed to streamline ICN operations. Overall, the staff, even displaced staff, has been very supportive of the new direction the network is taking. The reorganization was done within the existing personnel budget.

Mary remembers making the commitment three years ago to assess the organization and staffing of the ICN as the network developed. Management has done a great job in doing this in a way that increases services with out increasing cost.

It was questioned whether or not CMS had been providing these services or does this move represent the first time the ICN will be able to offer around the clock service. Neil responded that CMS has provided after hours, answer/help desk support, relaying calls to ICN staff. The direction that the ICN NOC will take is slightly different. The ICN NOC staff will proactively monitor the network and begin working immediately on a resolution to the problem. CMS has been incredibly helpful to us in providing 24 hour answering service support to date, but the new NOC will eliminate the need for on call and pager response lag time across the state.

The services listed on pages 41 and 42 of the agenda will be offered to constituents on a cost recovery basis. All services are optional and are designed in such a manner as not to compete with other organizations such as Learning Technology Centers. Additional staff dollars have been incorporated into the cost recovery formula for these services in case demand reaches the level where additional human resources are needed.

It was also noted that the individual case basis tariff for non-primary constituents gives non-education constituents a 40% discount on DS1 (T1) service.

8. Fall 2002 Regional Information Sessions: Wrap Up

Kirk provided a brief overview of the regional meetings that took place earlier this fall. During a two-week period, the ICN management staff facilitated open meetings in each of the nine ICN regions around the state. The goal of the meetings was to provide an opportunity for ICN staff to dialogue with constituents and present an ICN update of regional and statewide activities. Agenda topics included changes in the legislation, planned backbone upgrades, and plans for the dark fiber implementation. The services discussion was very productive and the staff received valuable feedback as to the services most desired by constituents. The needs of the constituents varied based on geographic regions. Neil covered cost recovery items, which included much of the information presented during today's meeting. The meetings concluded with a discussion of regional user groups. The ICN prides itself on outreach and regional user groups are a way to solicit information and work with the constituents on an ongoing basis to continue to move the network forward. The meetings were very successful and all constituent groups were represented.

Lugene commented that it is a good idea to do these regional meetings because it provides an opportunity to keep in touch with the constituents and learn about their needs and vision for the ICN.

Virginia asked about the reaction to cost recovery at the meetings. The fiscal year 2004 cost recovery adjustments were well received. Constituents understand the need for cost

recovery and feel that they receive a good value for the money they spend for their ICN connection.

Lugene suggested the meetings next year be planned in advance so that Policy Committee members could attend some of the meeting along with the staff. Mary agreed.

9. Executive Session

Motion: Jean made the motion; Lugene seconded.

Jean moved that the Policy Committee go into closed Executive Session at 4:00 p.m., Wednesday, November 13, 2002 for the purpose of discussing Illinois Century Network personnel issues and executive session minutes pursuant to Section 2(B)(1) of the Open Meetings Act.

Motion carried.

10. Resume Meeting

The meeting resumed at 4:20 p.m. No action was taken as a result of the executive session.

Motion: Alice made the motion; Lugene seconded.

Alice made the motion to adjourn.

Motion carried.

Meeting adjourned at 4:25 p.m.