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Task Force

Public Information Meetings

**January 1996**  
Submitted to:  
Iowa Communications Network

SUMMARIES

# ~~461 Task Force~~

January 31, 1996

Harold Thompson  
Chief Operating Officer  
Iowa Communications Network  
P.O. Box 587  
Johnston, Iowa 50131-0587

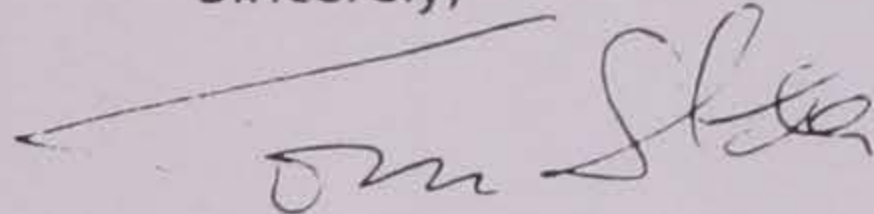
Dear Gen. Thompson:

The 461 Task Force did far more than was first intended when the Iowa General Assembly passed legislation requiring the study of the Iowa Communications Network. As the Task Force began this process, they asked a number of interested individuals to become resources and lend their expertise to the process. As a result, individuals and organizations began to better understand -- and accept -- each others' opinions and positions.

The Task Force wanted to expand this knowledge to the general public, and give others an opportunity to comment on the study itself. To do that, sixteen meetings were held throughout Iowa. Over 2,000 individuals were invited to attend these meetings - and their comments were preserved in this meeting summary. We hope that the information which follows will be useful to you, the Iowa Telecommunications and Technology Commission, policy makers, and other interested individuals.

On behalf of the Task Force, I would like to thank you for your willingness to do these meetings and further the Task Force's commitment to keeping this study a public process.

Sincerely,



Tom Slater  
Facilitator, 461 Task Force

# 461 TASK FORCE Public Meetings November 27 - December 14, 1995

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## Welcome

The welcome was delivered by Tom Slater, State Public Policy Group, at each meeting. Tom Slater and Amy Campbell presented information on the 461 Task Force process and report, and facilitated discussion and questions from attendees.

## Why Are We Here?

In the Spring of 1995, the Iowa Legislature passed House File 461, which requested that the Iowa Telecommunications and Technology Commission (ITTC) study alternatives in management, operations, and ownership of the Iowa Communications Network (ICN). The ITTC appointed the 461 Task Force to complete this study and hired State Public Policy Group to facilitate the process and provide research assistance. The following individuals comprised the Task Force: Joan Axel; Robert Halford; Yale Kramer; General Warren Lawson; Todd Linden; Ben Norman, Ed.D.; Jim Meyer; David Roederer; Ed Stanek, Ph.D.; George Strawn, Ph.D.; Allan Thoms; Emmett Vaughan, Ph.D.; and Teresa Wahlert.

Since the outcome of this study could impact many Iowans, the Task Force felt strongly about keeping policymakers and other individuals informed of the deliberations and progress of the study. This was achieved during the 100-day study process by keeping the media informed, mailing the 461 Update to more than 2,000 individuals and organizations, and sending out more than 150 public notices about Task Force meetings.

The 16 scheduled public meetings in November and December are an extension of the Task Force's commitment to keep all Iowans informed on the process of the Task Force's work, its report, and the ITTC's recommendation to the Iowa General Assembly.

## Task Force Structure

After receiving its direction from the Iowa Legislature, the ITTC constructed a study process that would allow for an unbiased analysis of the facts surrounding the ICN and telecommunications in Iowa. It was determined that this could occur by using Iowans with an expertise and interest in the ICN. Therefore, a thirteen-member Task Force was appointed. The 461 Task Force was comprised of individuals representing varied interests -- from the educational perspective to the telephone industry.

The ITTC recognized that an unbiased report could be produced most readily if the Task Force assigned to the study were *not asked to make a recommendation*, but simply analyze and present the facts. To do this, the Task Force met for six, two-day meetings over this 100-day period -- approximately every three weeks. The 13 Task Force members devoted more than 1,310 hours to this intensive process, a number which grows rapidly if all others involved in the study are to be included.

On October 13, the Task Force completed its report and submitted it to the ITTC. The 461 Task Force Report consisted of two volumes -- the report and its supporting materials. The Final Report was a consensus document and was accepted unanimously by the Task Force.

Again, the Task Force was not asked to make a recommendation -- that was the responsibility of the ITTC. The ITTC reviewed the Task Force Report and made their recommendation on October 25. A representative of the ITTC will present that recommendation after we have completed our review of the 461 Task Force process and report.

### **The Task Force Charge**

House File 461 became the Task Force's guiding document, as it described the basic structure and contents of the study. House File 461 directed the Task Force to study the possibility of selling the ICN to a private company, keeping it the same, or converting it to a public utility. These three options were eventually defined and expanded to 10 separate options, which will be discussed later.

The study was to include several elements, including two items which established Iowa's continuing commitment to currently authorized users. There are currently four authorized user groups -- Education (which includes public libraries), State Government, Federal Government, and Telemedicine (hospitals and physician clinics).

Specifically, House File 461 asked that the study consider:

- Effect of the sale on the tax-exempt bonds  
The State used \$110 million in tax-exempt bonds to finance the construction of Parts I and II of the network. These bonds will be paid off in fiscal year 2005.
- Impact on existing telecommunications providers  
The telecommunications industry has pushed for more restrictions on use of the ICN. Others have asked that the State considering selling the ICN to a private company. This issue was very important to the Task Force, and was reviewed from a variety of perspectives.
- Ability to provide affordable access to the network for public agencies, including Part III users not yet connected  
This is one of the two considerations which formed the State's continuing commitment to currently authorized users, including Part III. Part III connects 474 high schools, libraries, area education agencies, and school administration buildings over the next four years. The ability to keep rates at their current levels is critical for most users.
- Compliance with state laws  
The Task Force looked at both the law and Iowa's constitution to see if there were any provisions which may preclude a course of action.

- Use of public rights of way by potential buyers  
The ICN fiber is currently located in public rights of way and is exempt from the normal access fees. If the network were sold, or changed in some way, the Legislature wants to know if that fee exemption would be continued.
- Benefits to Iowa businesses and citizens  
The ICN has often been presented as an asset to Iowa. Private providers emphasize their expertise and record in service provision as a strong consideration in looking at alternatives for educational telecommunications. The Task Force examined the benefits, as well as drawbacks, to Iowans.
- Provide long-term lease capacity sufficient to meet the existing and future needs of educational users  
This consideration formed the second part of the State's continuing commitment to educational telecommunications. Without sufficient capacity guaranteed, many users will not be able to expand their use of the network as they become more comfortable with the technology and applications become more available.
- Review whether the sale should be through an RFP or auction, and review merits of both  
If the ICN were to be sold, what is the most appropriate way to conduct that sale. The Task Force examined the pros and cons to both options -- a Request for Proposal or an auction.
- Impact on FCC policy and regulations on full or partial sale of the network  
Federal telecommunications policies are quite explicit on how networks the size of the ICN can be operated. The Iowa Utilities Board's federal consultant reviewed FCC policies and regulations, along with other related issues, for conflicts.
- Other issues as identified by the ITTC  
The ITTC did not ask that the Task Force review any additional issues, but the Task Force did add 14 more. Under each option, the Task Force looked at 11 different legal and financial issues, and 12 issues which measured the impact of each option on various user groups.

Finally, House File 461 asked that the ITTC submit the report, along with its recommendation, to the Legislature and Governor by November 1, 1995. The Task Force completed the study on October 13 and submitted it to the ITTC soon after. The Task Force made its recommendation and submitted the report and recommendation to the Legislature on October 31.

Again, the Task Force's primary charge was to comply with the directive set forth by the Legislature in House File 461. Although they expanded the scope of the study to be thorough, the Task Force provided the ITTC with a comprehensive review of the issues relating to alternative ICN structures.

## **Task Force Premise**

House File 461 specifically directed the ITTC -- and the Task Force -- to consider options which would preserve the State's commitment to authorized users. The legislation asked that the options studied make assurances for affordable access and capacity. This premise defined in House File 461 formed the foundation of the Task Force's analysis.

The House File 461 Premise formally defines the State's commitment to authorized users. Out of the ten options studied, there is one that does not uphold the Premise. Other than Option 1, all other options must maintain the assurances identified in the Premise.

### **461 Task Force Premise**

All options studied, unless noted otherwise, must contain provisions to assure the following:

- Affordable access to authorized users
- The availability of a well-maintained fiber optic system, and delivery of a specified bandwidth
- Completion of Part III as specified by the Iowa Legislature

This three-tiered premise ensures that access will remain close to its current level, the system will be updated and current with sufficient capacity, and that Part III will be completed as scheduled over the next four years.

The Legislature is the ultimate decision maker. The Task Force recognized that many individuals would read this report, but understood that the ultimate reader is the General Assembly. For that reason, the Task Force was very careful in constructing a structure that was easy to use, presented information in a straight-forward manner, and involved all organizations and individuals that had an interest in the ICN's future.

## **Task Force Structure**

The Task Force process was similar to a funnel. Information from all of these sources was dumped into the funnel, and was individually examined by each member of the Task Force. The information was sifted and tested for accuracy by the Task Force and others when appropriate. Only those items that were "sifted out" by the Task Force were included in the Final Report.

The Task Force recognized that thirteen members could not possibly represent the full spectrum of individual points of view concerning the ICN. However, a larger Task Force would be unmanageable within the short time period. Therefore, the Task Force found other methods to involve other interest groups and solicit other points of view.

#### Resource Team

In addition to the 13-member Task Force, a Resource Team was assembled to represent various interest groups. The 19 individuals on the Resource Team were instrumental in the development of the Task Force Report. These individuals devoted large amounts of time to provide their expertise to the Task Force.

Organizations represented on the Resource Team included: Association of Iowa Hospitals and Health Systems, Iowa Association of Community College Trustees, Iowa Association of Independent Colleges and Universities, Iowa Association of Municipal Utilities, Iowa Attorney General's Office, Iowa Cable Television Association, Iowa Communications Network, Iowa National Guard, Iowa Network Services, Iowa Office for State-Federal Relations, Iowa State Education Association, Iowa Telephone Association, Iowa Utilities Board, League of Iowa Municipalities, McLeod Telecommunications, Rural Iowa Independent Telephone Association, and Rural Schools of Iowa.

While the Resource Team could not vote, the Task Force often deferred to them for their opinions and confirmation on the facts presented. Resource Team members attended all meetings, were involved in discussions when appropriate, and were provided the same information and meeting materials as Task Force members. Many individuals on the Resource Team provided research assistance and helped assemble information for the Task Force. This information was dumped into the funnel.

It is important to note that the ICN staff were on the Resource Team -- not on the Task Force. The Task Force was insistent that it did not work for the ICN, and that it was conducting an independent analysis. ITTC members -- other than Joan Axel, who chaired the Task Force -- were not participants in this study. However, the three other members of the ITTC attended and monitored each meeting. Because they had only one week to make their recommendation, they felt that it was important to listen to the Task Force discussion and understand their deliberations.

#### Telecommunications Industry Panel

Early in the study, the Task Force felt that it had a limited understanding of the telecommunications industry and its future prospects. The Task Force invited a group of outside industry experts to make presentations on the present status of telecommunications, future technological innovations, and perceptions of the regulatory environment. This outside panel comprised a wide variety of individuals representing a cross-section of philosophies from the telecommunications industry. The information provided by this panel was dumped into the funnel.

### External Consultants

The Task Force contracted with several outside consultants to provide additional input to assist in the analysis of options and issues. Williams & Company, a telephone industry consultant, and Evans Associates, a telecommunications futurist, were contracted to provide independent research on impacts on telecommunications providers and lowans. This information was dumped into the funnel.

Bob Helmick, a bond attorney at Dorsey & Whitney PC, was contracted to become the Task Force's bond counsel. Mr. Helmick analyzed the impacts of each option on the bond status, and looked at other financial considerations when appropriate. The bond counsel for the Iowa Telephone Association also reviewed this information, and agreed with the findings. This information was dumped into the funnel.

The Task Force thought they would do something interesting and innovative -- they asked the public its opinions on various ICN options. The Task Force contracted with a reputable communications research firm, Selzer Boddy, to conduct a survey to measure the potential impact on ICN users and the business community. This survey was mailed to more than 900 authorized users and 2,000 Iowa businesses and industries. The results of this survey were dumped into the funnel.

The State Public Policy Group compiled copious amounts of research for the Task Force as well, including a state-by-state analysis of educational telecommunications. This information was assembled and dumped into the funnel for Task Force consideration.

After all the information was compiled and dumped into the funnel, the Task Force began the process of sifting the information out. This was not a small task. The Task Force reviewed volumes of information from a variety of sources. As differences of opinion arose, the Task Force and Resource Team worked together to resolve those issues. All the information presented was "double-checked" by various resources to ensure accuracy.

The Task Force used a Matrix format to process and analyze all the information that was dumped into the funnel. This Matrix will be explained later in the presentation. However, it is important to note that all information in the Final Report was looked at independently and accepted by the entire Task Force. No information was included that was not confirmed *as fact* by all members of the Task Force.

### **461 Task Force Study Options**

The Task Force's first order of business was to define the scope of the study. Although House File 461 only asked that two options be considered -- selling the ICN to a private operator or converting the ICN into a public utility -- the Task Force expanded its study to consider ten options. These ten options cover a broad range, from total privatization of the network to a state-owned, state-operated public utility.

The Task Force expanded the list of options for several reasons. First, the options presented were not well-defined and were interpreted differently by members of the Task Force. Second, there was a strong sentiment among Task Force members to look at ways



that the private and public sectors could work together to provide educational telecommunications throughout the State. Recognizing this, the Task Force opted to be thorough and cover the gamut of options. The Task Force grouped the options in three categories: Private Options, Public-Private Options, and State Options.

Each of these options are described broadly. These options may be changed a little in several places to make it slightly different, and perhaps more appealing, to the reader of the report. As the options are discussed, it is important to note that they are not numbered in any order of preference.

### **Private Options**

#### Option 1      Sale of the Network (No Assurances)

*This is the only option which does not meet the assurances outlined in the HF 461 Premise.* The ICN would be sold to a private company, who would operate the network for their own use and/or profit. The State would make no provision that would ensure the continuation of services and rates to authorized users. The State would place no conditions on the sale of the network, and would make no financial commitment to authorized users. Under this option, the State will not continue to play a part in educational telecommunications.

#### Option 2      Sale of the Network (With Assurances)

The ICN would be sold to a private company, but authorized users would be assured affordable access to that network. The State would make arrangements to assure the Premise is upheld. This could be done through a provision in the sale contract, or through independent legislative appropriations.

#### Option 3      Sale of Excess Network Capacity

This option actually creates a dual network -- a private and public. The ICN would continue to own its electronics, its capacity, and the fiber. The ICN would sell excess capacity (or dark fiber) to a private company or another telecommunications provider, who would purchase additional electronics to increase capacity on the network. This private entity would own and operate its capacity for private use and/or profit. The State would retain control of its portion of the network and continue to provide the assurances outlined in the Premise to authorized users.

### **Public-Private Options**

#### Option 4      Public-Private Ownership

Under this option, the ICN would be owned and operated by a new entity, which is comprised of both public and private representation. The Task Force did not determine if the public or private sector would hold majority ownership. This option could be constructed as a cooperative, a partnership, or a corporation. The Task Force later realized that, due to a constitutional prohibition on the State owning stock, it was unlikely that this entity could

be a joint stock company. This new entity could operate the ICN for its own profit and expand the user base, but it would have to make provisions that assure that the 461 Premise is upheld.

Option 5

State Ownership and Private Operations

Under this option, the State retains ownership of the ICN, but leases the network to a private operator. The *private operator would pay the State* to operate the network. The operations contract would contain a provision which requires this private operator to provide the assurances as outlined in the Premise. The private operator could then operate the network for its own profit and/or use.

Option 6

State Ownership and Private Management

This option is one of two which does not expand the user base and makes very few significant changes from the current structure of the ICN. The State continues to own the network, but *would pay a private company* to manage the ICN. This option would, in effect, eliminate the ICN Department and replace it with private operators. The user base remains the same and the Premise is upheld.

**State Options**

Option 7

State Lease to Private Companies (Not Restricted)

Options 7 & 8 are very similar. Under this option, the ICN would continue to be owned and operated by the State, but private companies or providers could lease excess capacity on the network anywhere in the state. The lessee(s) would be responsible for their connections to the network. Because the State continues to own and operate its portion of the network, the assurances to authorized users would be maintained.

Option 8

State Lease to Private Companies (Restricted)

Under this option, the ICN would continue to be owned and operated by the State, but private companies or providers could lease excess capacity on a restricted basis. Unlike Option 7, these leases could only happen in areas of the state which do not currently have access to services. Once these services are provided by another vendor, regardless of the price, the State must discontinue service. The lessee(s) would be responsible for their connections to the network. Because the State continues to own and operate its portion of the network, the assurances to authorized users would be maintained.

Option 9

State Ownership and Operation (Limited)

This option represents the ICN as it is today. The ICN would be owned and operated by the State, the assurances to currently authorized users would be maintained, *but the user base would be limited to those currently authorized by law*. This limitation is a key provision. The State would draw a box around the currently authorized user base -- education, state government, federal government, and telemedicine.

### Option 10 State-Owned Public Utility

The ICN would be owned and operated by the State, but anyone could gain access to the ICN. The ICN would be open to the general public, and would be required to serve anyone who wishes to gain access to the ICN. The State would continue to maintain its commitment to authorized users and uphold the 461 Premise. This option was chosen as the public utility option for one primary reason -- the Iowa Code states that a public utility is an entity (public or private) which provides service to the general public. This is the only option which guarantees the ICN will be open to the public.

### **The Matrix**

The Task Force used a Matrix format to process and analyze all the information presented and gathered. This format gave the Task Force a visual framework through which each option could be analyzed and also allowed the ITTC and policymakers to access specific information quickly.

By the end of the study, all Task Force members had reviewed and accepted the information contained in the 230 Matrix boxes. Each box was looked at independently to keep the Task Force from drawing comparisons and inadvertently biasing the information. Once all the boxes were completed, the Matrix was nearly 180 pages long.

However, four items which were discussed by the Task Force were not added to the Matrix.

- Federal Deregulation

Congress is in the process of considering two primary bills which deal with federal deregulation of the telecommunications industry. At the time of the study, these bills were in conference committee with no known date for reconsideration. Obviously, any federal changes would have a large impact on the information contained within this study. Because the bills are very different and subject to change, and nothing binds Congress to making any changes whatsoever, the Task Force did not forecast the potential effect of deregulation on the 10 options studied. However, the Task Force did want to note that the issue of deregulation was discussed. The Task Force confined itself to the current regulatory and legal environment, but did include two summaries of the deregulation bills in the Report's Supporting Materials Section. The summaries were completed by the Iowa Utilities Board and US WEST.

- Valuation

House File 461 did not ask the Task Force or the ITTC to value the network. Regardless, it becomes an issue central to any discussion about a sale of the ICN. During discussions of the sale options, the ICN's *worth* came up repeatedly. The Task Force wanted to note that *cost* is not synonymous with *value*, but recognized that knowing the system's cost would be useful to both the buyer and the State. The Task Force worked with the ICN staff to prepare a Facilities Ownership Summary, which tracks investments made by the State and ICN users. While this document represents the most complete summary of investments in the system

made to date, the Task Force agreed that these costs -- or investments -- do not represent the *value* of the system.

If Disney wants to buy the ICN and put Mickey Mouse into every home in Iowa, they will do their own valuation of the network, based on their own motivations. The Task Force agreed that, if the State is to sell the ICN, it should determine the *value of the network to Iowa*, and accept nothing less than that determined value.

- Iowa Utilities Board Study

In 1994 the Legislature passed a bill which required the Iowa Utilities Board to study the effects of the ICN on Iowa's private telecommunications industry. This study was unfortunately delayed as the Board dealt with several internal problems, but is currently underway and due to be presented to the Legislature by January 15, 1996. The Task Force would have liked to include the information contained in this study in the Matrix, but it was not available at the time of the study. The Task Force did want to note that this study exists, and will help supplement the information contained in this report.

- RFP vs. Bid

House File 461 asked that the Task Force examine methods to conduct an ICN sale, and point out the merits of each. The Task Force looked at the Request for Proposal (RFP) and Bid processes, pointed out their benefits and drawbacks, but did not make a recommendation on which would be the most beneficial for the State.

## **Task Force Findings**

The Task Force was committed to making the Final Report useful to Iowa policy makers - the ultimate readers. Part of this commitment involved leaving in options which, because of a number of legal or financial challenges, may be very difficult to implement.

It would have been easy to outline what the State could not do with the ICN. However, the Task Force felt that it was more productive for the report to say how the State could implement each option. That is how the Task Force proceeded.

The Matrix is really a "how-to" guide to implementing the ten options. Some options require relatively minor changes in law, some require many changes at various levels of government, and others may not be politically feasible. *Most importantly, the Task Force determined that, while some options may be easier to implement than others, none were impossible.*

The two-page option summaries in the Final Task Force Report highlight all the important information gathered in the 180-page Matrix. There are a few items which were of particular importance:

## Bond Status

The State financed the ICN backbone using tax-exempt bonds. While referred to as "bonds," the documents are actually Certificates of Participation. The State is committed to making those bond payments in the year 2005. Until then, the bonds are VERY strict about what the State can and can not do with the network.

Under the bond documents, all options except Option 9 (keeping the network the same) and Option 6 (private management contract) look like a sale and are treated as such. Option 6 can be completed without impacts to the bonds if the management contract is constructed in compliance with the bonds' Management Agreement Rules, which stipulate methods of compensation and terms of the contract. Basically Option 6 allows for a short-term (two- to five-year) contract, the length of which is determined by the method of compensation.

There are certain important years - or benchmarks - that lessen restrictions. They are outlined below.

Five-Year Safe Haven The bond documents require that the State own and operate the network for five years, or until fiscal year 1998. This is what is referred to as the Five-Year Safe Haven, and is a requirement of the bonds.

1998 In order to make any changes before fiscal year 2002, the State must:

1. Escrow sufficient funds to pay off the bonds (interest & principal) AND
2. Get a private letter ruling from the IRS stating that it is okay to change the tax exempt status of the bonds.

2002 After 2002, bond restrictions are lifted and the State may pay off the bonds early.

2005 Bond payments completed.

## Status of the ICN Hub

The ICN Hub is located in the basement of the STARC Armory at the National Guard Headquarters at Camp Dodge. The Armory is a federal facility and federal funds were used to build portions of the ICN Hub, presenting several difficulties.

1. If the network were to be sold and no assurances are made, the National Guard would seek recoupment of the \$9.3 million.

2. If the network were sold, the federal government would require that the Hub be moved from the STARC Armory. An alternative hub site would need to be built.
3. If emergency access to the network could not be assured, the Federal Emergency Management Agency would seek recoupment of its \$3.9 million investment. If the alternate hub site meets FEMA Survivability Standards and assures access during emergencies, FEMA would not seek recoupment of its investment.
4. The regional switches located in the community colleges continue to be state property. A private company could be given access by the State to those facilities. The State would only need to provide the private owner with the access papers.

### **Federal Grant Status**

The Task Force also found that this study uncovered a lot of ICN myths. The first was that the ICN would no longer receive federal grants if it were sold. This is not true. The federal government looks at two primary factors in its awards -- low rates and type of technology. As long as rates remain low and the fiber optic system uses updated technology, federal grants will continue.

### **ITTC Report**

*This portion of the public meeting was presented by a representative of the Iowa Telecommunications and Technology Commission (ITTC).*

At this point, the 461 Task Force's work has been completed and the Report turned over to the ITTC. The ITTC reviewed this report and, as it was charged to do, made a recommendation to the General Assembly.

ITTC members were asked to independently review the report and, without having previously discussed their impressions, meet to formally vote on a course of action. Each member presented his/her views on each option, and unanimously chose Option 9 as their recommendation.

The ITTC listed several items that factored into its recommendation. They are:

1. Costs involved with changing the bond status are prohibitive until 2002.
2. Part III will not be complete until 1999 - until then the system is not complete.
3. The ICN can not adequately forecast user needs, and a full assessment of those needs is not possible until Part III is completed. In addition, the capacity and technology requirements of users are changing and will not be known until completion of Part III.
4. The maintenance contract would be transferred and continues regardless of the disposition of the network.

5. The federal regulatory environment is changing rapidly and will affect the ICN.
6. The State must own and operate the network until 1998.
7. Retention of the Hub at the STARC Armory is critical for the coordination of the State's emergency response. The Hub is co-located with the State Emergency Operations Center and the Iowa State Patrol communications center.
8. Continuation of legislative oversight, which is important for government and educational functions.
9. Assurance of continuity in ICN management.
10. Several options could result in vendors receiving an unfair competitive advantage over others, expanded competition with the private industry, and decentralization of management structure.

The ITTC recommendation is based on all of these issues, and others as outlined in its Recommendation Report. Short term factors favor state ownership and operation, but may change when studied in the longer term. If change is determined to be in the best interest of the State, the period between 2002 and 2005 presents the best window for transition of either ownership or management of the network.

In this period, the seven-year Part III leases will be completed, bond restrictions are lifted, and the ten-year maintenance contract will be completed. The ICN will be in a better position to determine the future needs of authorized users and the value of the system can be more accurately measured. In addition, federal deregulatory policies will have been in effect for several years and the effects of those changes will be evident.

Therefore, the ITTC recommends Option 9 -- the continued operation of the ICN as a statewide fiber optic network for authorized users. The ITTC also recommends that no additional private users be added to the network at this time, but noted one issue is still on the table. Last legislative session, the House passed a bill which authorized cities and counties to use the ICN. This bill is currently in a Senate committee and is viable for action during the upcoming legislative session. The ITTC noted that this issue has not yet been resolved by the Legislature, but made it clear that the notation is not to be interpreted as a Commission recommendation. Finally, the ITTC recommended that the future disposition of the ICN be reviewed again during legislative year 2000.

### **Discussion Period**

The ITTC forwarded its recommendation, along with the Task Force Report, to the General Assembly and the Governor on October 31, 1995. The decision on what course of action is in the best interest of Iowa is now the responsibility of the Iowa General Assembly and the Governor. Questions and comments made can be found in the proceedings of each meeting. These are not word-for-word, but do capture the essence of the conversations.

## Burlington • Des Moines County Courthouse November 29, 1995

### Attendees

Sandra Allgood, Southern Regional Library Trustees  
Ron Bickford, Danville Schools  
Paula Buhrow, Burlington Public Library  
Bud Carruthers, Great River AEA  
Beth Danowsky, Southeast Iowa Regional Council of Government  
Paul Galer, Fox Valley Community Schools  
Tim Hoescher, Des Moines County Board of Supervisors  
George Kozaick, Great River AEA  
Ellen Peterson, Southeastern Community College Board of Trustees  
Kevin Rosenberg, Region 16 RTC  
Ted Schneider, US West Communications  
Vicki Stoller, Office of Congressman Jim Lightfoot  
Kay Weiss, Burlington Public Library  
Bobby Wilson, The Burlington Hawk Eye  
Mike Wilson, The Burlington Hawk Eye  
Mike Walters, Region 16 Regional Telecommunications Council

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Tori Squires

### Comments and Questions

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Are there any assurances now to maintain the current subsidized rates in the next three years?

*Rates will probably increase slightly over the next several years, at a cost of living rate. The ICN and ITTC feel that it is better to make very small, gradual increases over several years, rather than wait and make a large increase. It seems probable that the ITTC will maintain the rate structure for the next fiscal year, but they will vote on that commitment at their next meeting.*

Are these rates used to cover maintenance, administration, and debt service of the network?

*No. Senate File 2089, which passed the Legislature in 1994, specifically outlined the costs to be calculated into the operational rate. These costs include operations only, not debt service. That rate is currently at \$40/hour for video service.*



Is Part III being paid for by the Legislature?

*Yes. The Legislature decided not to bond for Part III. Rather, the State will make annual appropriations over the next four years. These funds will come from the Rebuild Iowa Infrastructure Fund, which pools money from increased gambling receipts for short-term projects.*

I have a question about excess capacity and I have a concern on how it is determined.

*With the electronics currently in place, there is no excess capacity on the network. However, this capacity can -- and will -- be increased as more users come on-line. Fiber offers unlimited capacity, it is the electronics that you place at the ends of the fiber which define the network capacity. The ICN expands capacity on an as-needed basis.*

Are there any other examples of state-owned public utilities?

*No. Likewise, the Task Force could not find an example of a public utility similar to the one in Option 10 in other States.*

Can you explain the issue of "risk" and the findings in the options?

*The Task Force did not find that financial risk was a significant barrier in any of the options.*

If you remove the Hub from Camp Dodge, would you also take the regional points of presence out of the community colleges?

*Not necessarily, it would depend on the sale agreement. Legally, the State does not have to take these regional switches out of the community colleges. In fact, because these switches are considered state property, the State only needs to sign a written agreement which allows the private operator/owner access to those regional switches. The Hub issue is more difficult, as it is federal property and federal regulations prohibit private profit from these facilities.*

If the State would appropriate the money, could all the schools be hooked up this year?

*All Part III sites could be hooked up, but it would probably take two years. The contracts have been signed and would need to be renegotiated in some instances, and time becomes a factor.*

Are you on schedule to hook up Part III users?

*Yes, the ICN is on schedule.*

Am I correct in saying that the capacity is there now and it only takes the right equipment to use it?

*Yes. Fiber has unlimited capacity. Capacity is entirely dependent upon the electronics placed at the Hub, regional switches, regeneration sites, and end sites. Capacity can be expanded by switching out these electronics.*

How many types of equipment does there have to be on the network?

*Fiber has to have relay stations, called regeneration sites, but they can be much further apart than if you are using copper. There is equipment at these regeneration sites, at the regional switches in the community colleges, at the Hub at the STARC Armory, and at each end site. Every site has to have a CODEC (coder/decoder).*

What are you doing with ICN public relations?

*The Task Force is NOT holding these public meetings for public relations or promotional purposes. Throughout this study process, the Task Force has been diligent about keeping the public informed about the issues examined in the report. These 16 public meetings are an product of that commitment to public information. The Task Force felt that the study was very thorough and unbiased, and wanted the study's findings and process to be understood. Therefore, while a person may come to a different conclusion on the best option for the state, there would be no disagreement on the facts. The 461 Task Force Report does that -- examines and presents the facts. The Task Force sent out thousands of pieces of mail for these meetings, among them were public notices to be placed in each library, school, courthouse, community college, university, college, area education agency, community action agency, and independent living center in the State.*

*The ITTC is currently considering a grassroots approach to planning for the future of the ICN. This planning effort would begin locally, with the involvement of authorized users, the public, and the telecommunications industry. The ICN and the ITTC are looking at a bottom-up approach, so that Iowa's communities have input into the system, and a stake in the process.*

If people could see the fiber optics in operation it would help them understand the ICN and its potential.

## Council Bluffs • Senior Citizens Center December 14, 1995

### Attendees

Ward Bean, Iowa Western Community College  
Mary Ann Bragg, Council Bluffs Community School District  
Karen Burns, Southwest Iowa Regional Library  
Ned Cox, Sidney Community School  
Jack Drake, State Representative  
Ron Enger, AEA 13  
Lois Gurden, US WEST Communications  
Jim Hansen, Walnut Telephone Company  
Robert Harmon, Farragut Community School  
Bruce Heine, Walnut Telephone Company  
Mike Irwin, AEA 13  
Robert Kuhn, Walnut Telephone Company  
Robert Mauer, Southwest Telephone  
Brian Menz, Iowa State University  
Ed Propst, Council Bluffs Community School District  
Phil Rink, Griswold Community School District  
Ed Stacy, Iowa School for the Deaf  
Don Stamp, Walnut Telephone Company  
Jeanne Tracata, Southwest Iowa Regents Resource Center  
Fiona Turnbull, Carter Lake Public Library

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Shannon Tyler

### Comments and Questions

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I have a question about if there was FEMA money used in the development of the ICN?  
*Yes, some FEMA money was used for the construction of the ICN Hub at the STARC Armory. The Armory is a federal facility. If the ICN is sold, the State has two options -- return FEMA's investment - about \$3.9 million - or build the new Hub site according to FEMA Survivability Standards and guarantee access to the network in emergency situations.*

If we use the ICN site at our high school, even if it is combined, will it still be \$5/hour?  
*Yes.*

I am a K-12 school representative and I think that rate is way too cheap.  
*The ITTC recommended that the rates be raised last year, but the Legislature passed a resolution which asked that the ITTC not raise the rates to ensure the equal opportunities for education.*

The community colleges have been using the ICN for classes for 18 months. The \$5/hour video rate is not an entitlement. If a student is unable to drive to a class and uses an ICN site for the rate of \$5/hour, it costs the community college \$265 to give the course.

*One thing that has come out of these meetings is the need for an integrated, local planning effort that involves community colleges, private industry, and users. This effort is being looked at seriously by the ITTC. Community colleges will need to be a part of this too, so they can plan for the future and identify the need for resources.*

If the rates were to be reconsidered this year, will the rates be increasing?

*The rates will remain the same for fiscal year 96.*

How can the rates be maintained at such a low rate?

*The cost of operations is coming down as use increases. The cost allows education to benefit by getting the maximum out of the system. We are looking at 400 hours of use per site per semester. This rate does not take into account debt services -- just true operational costs.*

What is the role of the ETC in the rates?

*The ETC -- Educational Telecommunications Committee -- initially looked at the rates and recommended \$20/hour. The \$5/hour rate was arrived at as the ETC and ITTC found that to be unaffordable to most schools and community colleges.*

I am concerned that the Legislature has the ability to change the rate. They may look at changing the rates in the future when a budget deficit occurs and need to cut money.

*Right now, the annual \$12.7 million in debt service is paid by the State. The video side will be self-sustaining in three years as Part III increase usage. The video costs for operation will come down to less than \$10. The Legislature last year sent a message that they continue to be committed to that \$5 per hour rate when they passed a resolution stating that the ITTC keep the current rate structure.*

Iowa State University Extension has been encouraged to reach rural Iowa. We pay our instructors more to teach the ICN classes because they are more difficult to teach. We are looking at \$300-400 per classroom.

Educational excellence is a good goal for the State. Our phone company has around 700 customers, and so far this service has lost customers because of the ICN. What about in the future? Who else will the ICN take from us?

*This was a very important issue that the Task Force looked at -- not that there has been loss in the past, because we can not do anything about that now. The Task Force looked at how each of the options will affect the future of the telecommunications industry - in particular, will the option send the State into competition with providers. That is why Option 9 has that very important provision - limiting the user base to the currently authorized level. The Task Force wanted to provide an option that would allow private providers to plan better, with the knowledge that the ICN will not continue to expand because of financial pressures. There is a bill pending in the Legislature that adds cities and counties to the authorized user list. The ITTC is not advocating for this in any way.*

## Cedar Rapids • Cedar Rapids Public Library November 28, 1995

### Attendees

Tom Armitage, Cedar Rapids Public Library  
Bruce Cantrall, Cornell College  
Bill Duffy, Kirkwood Community College  
Robert Dvorsky, State Senator  
Mark Iverson, Cedar Rapids  
Doug McCunnelee, Dunkerton Telephone Cooperative  
Alain Mermet, Cedar Rapids  
Phyllis Peterson, AEA 10, Regional Telecommunications Council  
Chad Sands, East Central Iowa Council of Governments  
Dave Sefe, Kirkwood Community College  
Roger Schreder, US WEST Communications  
Gary Schropp, Swisher Telephone Company  
Lynn Schulte, State Representative  
Sam Scoma, Cornell College  
Jan Swanson, Office of U.S. Senator Grassley  
Orville Thein, Kirkwood Community College  
Nancy York, KCCCK, Cedar Rapids

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Tori Squires

### Comments and Questions

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What is the specified bandwidth of the Iowa Communications Network?

*The ICN is a DS/3 network with frame relay.*

It is important to note that Taiwan is working with TeraHertz technology. I am suggesting that technology may outpace the legislature's decision on the future of the ICN. Taiwan is hoping to have full motion video connection to every PC within a few years.

What does DS/3 mean in laymen's terms?

*If you envision the ICN as a pipeline, the size of the pump on the ends of the pipeline determine how quickly and how much water can be pumped. Likewise, on the ICN, the equipment or electronics, that you place on the ends of the fiber determine the amount and speed information is processed and sent. The fiber itself has unlimited capacity -- the electronics determine that capacity. DS/3 technology describes the type of electronics on the end of the ICN fiber. DS/3 allows for full-motion video and instantaneous information transfer.*

With the existing fiber in the ground, how much more capacity is available?

*Technically speaking, the ICN fiber has unlimited capacity. What matters is the equipment on the end of the fiber. However, the ICN only places electronics on the fiber which create capacity for its current needs. Therefore, with the current electronics, there is no excess capacity on the network. This can change as the ICN replaces the electronics and creates more capacity.*

I have a small computer consulting business and there is always something new in technology. If you wait to get the newest and best technology, you will always be waiting. As legislators, we have an obligation to deliver what is the most cost-effective technology to taxpayers.

A lot of times when companies get on the cutting edge of technology, it may not be the best thing for the company. This is also true for the ICN. It may not be the best thing to be on the cutting edge when we are not sure how useful the cutting edge technology is.

The State should maintain flexibility in any decision that is made on the future of the ICN.

Will the Iowa Utilities Board's study provide an analysis of the ICN's competition with the private sector?

*Yes. That study will be presented to the Legislature on January 15, 1996.*

On the question of worth, is it true that the fiber will basically maintain its value and the equipment at the end of the fiber will depreciate?

*No one knows exactly how long fiber will last. The ICN has put the fiber on a 20-year depreciation schedule and equipment on seven-year depreciation schedule.*

I have a concern about privacy through the use of the ICN and over the Internet.

*Privacy is an issue the ICN struggles with a lot. The ICN has developed a guide which is furnished to AEAs and schools and suggests there are certain things they can do to block out information available on the Internet. That is not to say that it will completely stop access to things such as pornography on the Internet, but it will give teachers and school administrators a guide to make it difficult. The ICN is prohibited by law to censor information on the ICN. Dealing with privacy is a local school decision and most schools are setting their own guidelines to deal with this. This is an issue that has been discussed at great detail on the national level, and will continue as we work through new technology.*

Did the bond difficulties effectively scratch Options 1-8?

*No. The bond issues only make some of the options more difficult, not impossible. The Task Force framed this report by outlining the steps that need to be taken to implement each option. None were impossible.*

I did not see the impact of future federal laws in the Task Force's Final Report.

*The Task Force could not look at future federal deregulation laws because nothing has been resolved in Washington D.C. yet, and they would have to speculate. We did not have that kind of time. The Iowa Utilities Board lawyer did analyze current federal laws and did not find any conflicts with existing laws.*

Is the ICN and the State looking at what technology level exists in other states and around the world.

*The only video switch that really can compare with Iowa's is one located in Spain. The Task Force did compile a state-by-state review of other states' technology and distance learning projects.*

From the small telephone companies standpoint, we used to have someone that looked after the standards, but with so much deregulation there are no standards to follow anymore.

There is an international standards organization. I hope someone from the ICN is keeping in touch with this organization.

*Yes, the ICN is keeping in touch with that organization. Because Iowa has the most advanced system in the country, the federal government is looking at Iowa for standards to be adopted across the country. Iowa has become the test bed for the National Information Infrastructure.*

Are there any plans to connect the ICN with an interstate fiber network?

*Yes. The ICN is connecting with Washington, D.C. for a virtual reality interface. Recently, the ICN hooked up Japan with Cedar Rapids for an international trade conference. This was very successful, and Japan is eager to do it again.*

I would be wary of looking at an absolute standard. You may be stifling a better standard.

Between now and the year 2000, who are the authorized users of the system?

*Currently authorized users include education, telemedicine, state government, and federal government. Education rates are subsidized in video only. They pay the full rate on voice and data. Administrative video use by state government is also subsidized at a lower rate, but they also pay the full rate on voice and data. Telemedicine and federal government pay the full operational video cost.*

Are you satisfied that the current video rates are sufficient?

*Earlier this year, the ITTC asked for an increase in rates. The General Assembly passed a resolution that asked the ITTC to review the decision and consider keeping the rates at the current levels. The ITTC did that, and the rates will remain at their current levels.*

Are you satisfied with rates for telemedicine users?

*Yes. These rates were set in Senate File 2089, which was specific about what costs were to be captured when calculating this rate.*

I read that the high schools in Cedar Rapids will be hooked up soon. Are other schools in the area in line to be hooked up?

*Yes. All schools in this AEA have the option of coming on line this year or next year.*

I would suggest that the whole 461 Task Force Report be made available at the Cedar Rapids Public Library.

## Coralville • Coralville Public Library November 27, 1995

### Attendees

Rich Bender, Iowa City  
Maeve Clark, Iowa City Public Library  
Robert Dvorsky, State Senator  
Bill Dutton, Iowa City Schools  
Randy Hayes, University Hospitals  
Dwight Jensen, Center for Conferences and Institutes, University of Iowa  
Mary Mascher, State Representative  
Dick Meyer, State Representative  
Maureen Olsen, VA Medical Center  
Henry Olsen, Iowa City

461 Task Force Representative • Emmett Vaughan, The University of Iowa  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Tori Squires

### Comments and Questions

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Was the allocated money sufficient to complete the Task Force Report?

*From the Task Force member's point of view, we got a very high quality report and a lot of experts' time for the money allocated. In fact, Task Force members alone donated over 1,310 hours to this process -- and that does not include the time commitment of the Resource Team.*

What is the difference between Options 5 and 6?

*Under Option 5, the ICN would be owned by the State, but would be leased to a private operator. The operator would pay the State to operate the network and assume all the risk of that operation. They may operate the network for profit, or for their own use. Under Option 6, the State would own the Network, but would pay a company to manage the system. The State would continue to bear operational risk, the user base would remain the same, and the private manager would not need to be concerned with making the network profitable. Option 6 would really be replacing the current ICN department with a private company.*

What is the difference between Options 7 and 5?

*Under Option 7, the State would own the Network and continue to operate a portion of the network. However, this option would allow the State to lease excess capacity -- capacity unused by the State -- to private companies. Under Option 5, the ICN would be owned by the State, but the entire capacity of the network would be leased by a private operator, who would make sure that services to currently authorized users are maintained.*



Why was the ITTC ambivalent about hooking up cities and counties to the Network?

*The ITTC recommended Option 9, which states that the current user base is not expanded. The Task Force added this because it was a very important provision from the telecommunications industry standpoint -- adding local governments to the user base would mean a loss of revenue for many of Iowa's smaller telephone companies. The reason the ITTC made a statement in their recommendation about cities and counties was because the issue itself has not been resolved. The issue of adding cities and counties is currently "on the table". Last year, a bill which authorized cities and counties to use the ICN passed the House by a large, bipartisan margin and was sent to the Senate. The bill -- House File 150 -- is currently in the Senate Committee, and is still "alive" for this upcoming session. The ITTC, which has stated that they will not be active on the bill, simply noted that the issue was still on the table.*

I noticed that public libraries and prisons were not a part of the Resource Panel.

*All public libraries received the Task Force newsletter -- the 461 Update. It was noted in that update that the meetings were open, and a list of the dates and sites were included, along with a staff number if they had any questions. The Resource Panel was identified quickly, and any individual expressing an interest in becoming a member of the panel was immediately placed on it.*

Did the Task Force discuss a minimum amount the ICN should be sold for?

*No, the Task Force did not. One thing the Task Force did discuss in broad terms was the valuation of the ICN. The subject of valuation came up repeatedly at meetings, but we were fortunate enough to have two national experts on the subject as members of the Task Force -- Dr. Emmett Vaughan and Yale Kramer. The Task Force Report identified several factors the State should think about if they consider a valuation of the ICN. The Task Force determined that, if the State were to sell the network, it should conduct a valuation based on the ICN's value TO THE STATE AND ITS USERS. A buyer will do their own valuation, based on their own needs. However, it is critical that the State determine the value of the ICN to the State and its education system. The ICN has sought quotes on the proposed costs of completing a thorough valuation, and they were in the \$1.5 million range. These costs are quite high because a new valuation model would need to be constructed. This information is all pointed out under items to consider when thinking about a sale option.*

When talking with major carriers about wanting to buy the ICN, you have to look at if the carriers are interested in the level of technology the ICN has. In valuing the ICN you also have to look at other potentials such as, if you sell it and video rates go up, video usage will drop.

Why was State Public Policy Group chosen to facilitate the study?

*Along with four or five other groups, SPPG was asked to submit a proposal to facilitate the Task Force. SPPG was fortunate to be chosen among those groups. SPPG has been around for eleven years and one of our main areas of expertise is in consensus building and facilitation. From a Task Force member's view, SPPG went beyond facilitation. They were very good -- they pushed Task Force members to*

*speak their minds and reach agreements. If Task Force members disagreed about a fact, they were sent off with the proper resource members to "get to the bottom of the issue".*

How do you see this winding down with State Public Policy Group's involvement? Has there been some arrangement after these public meetings?

*When the General Assembly deliberates on this issue, SPPG will be available to provide staff support and assistance. Officially, SPPG has concluded its work on this project. However, SPPG and Task Force members would like to be available to explain the process and the results of the study to the Legislature. SPPG and the Task Force feel that this study was unbiased, thorough, and unprecedented, and therefore want to make sure that it is understood.*

There is currently a scheduling nightmare going on with the ICN. Will this get better?

*Scheduling isn't perfect now, but they are making progress. Iowa Public Television, the ICN and the educational community are working on perfecting the system so that, as Part III users come on-line, scheduling will not be cumbersome and prevent the use of the network.*

A few weeks ago, I attended hearings on the Legislative Technology Committee and there is a big need for hardware and Internet access. I was wondering if the ITTC is going to promote involvement in the \$150 million grant AT & T is involved in.

*We will find out this information and will pass it along to you.*

*(Randy Hayes - - 319/356-3189, FAX 319/356-4545)*

The ITTC gives a good recommendation for the Legislature to follow for the next few years. The biggest problem with the ICN is that it started with no management and now it is better because they do have a management system in place. I think we have strong leadership in Tommy Thompson now.

I wonder if other legislators have heard a lot of need from counties to be hooked up to the ICN?

*Legislators replied that they are only getting requests from sheriffs. There seems to be no reason that certain county employees are hooked up to the system, and others are not.*

## Creston • Congregate Meal Site December 14, 1995

### Attendees

Steve Melone, Bedford Community School District  
Stacy Reckhold, Southwest Community College  
Scott Suss, Green Valley AEA #14

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Shannon Tyler

### Comments and Questions

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Do we know what capacity the ICN will need for Part III?

*That was a critical issue that the ITTC and the Task Force looked at. The Task Force determined that several options would require that the State define the amount of capacity to be reserved for currently authorized users. This becomes difficult, as the ICN can not predict the capacity needs of Part III users, as they come on line, teachers become more comfortable using the network, and as the Internet becomes available. This issue was also one of the reasons that the ITTC recommended Option 9 and a review of the issues in the year 2000. Part III will be completed in 1999 and the ICN will be in a better position to predict capacity needs.*

Will the Legislature make a decision this year?

*The Legislature will look at the Report and will at least set the stage for action. We can not predict what the Legislature will do. However, not doing anything will, in effect, be choosing Option 9. There is strong sentiment in the Legislature to clear this issue up as soon as possible.*

How is Part III being paid for?

*Part III is being paid for by the Legislature through an annual appropriations process. The Legislature will need to appropriate funds for Part III each year until 1999. However, the Legislature last year agreed not to bond for Part III. Instead, leadership identified a funding stream -- increased revenues from gambling. However, the Legislature must appropriate those funds each year.*

We are sorry that there is not more participation here. How have your other meetings been?

*We have had good turnout around the State, even in Coralville the night of the big snow storm. People have asked us why we did not hold these meetings over the ICN, and we have stated that it is very important for us and the ICN to get out and talk, face-to-face, with the users and public. In addition, it was not our job as the Task Force facilitators to promote the ICN by using it as the communications medium. We planned these public meetings as PUBLIC MEETINGS, not in user sites and not using the ICN. We wanted to get the public out to hear about the fabulous*

*job the thirteen members of the Task Force did. The Task Force devoted over 1,310 hours of service to this process, and the Resource Team would more than double that amount. We think that they did an excellent job, and wanted to share their findings -- their unbiased and objective findings -- with the public. In particular, to dispel the myths and give the public the straight answers.*

I think the Task Force did a really thorough job on the study and I am very pleased with the results.

I would like to commend the Task Force and State Public Policy Group on the study. It is very factual with no bias and should prove beneficial for the upcoming legislative session.

The study clears up a lot of issues and concerns.

## Davenport • Davenport Public Library November 28, 1995

### Attendees

Jeanette Andrews, Southeast Library Services  
David Olaeyl, Eastern Iowa Community College  
Ken Colwell, St. Ambrose University  
Charles Freese, Calamus/Wheatland School District  
Dick Hamsher, US WEST Communications  
Edgar Holden, Central Scott Telephone  
Ned Mohr, Central Scott Telephone  
Emily Navarre, Southeast Library Services

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Tori Squires

### Comments and Questions

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When conducting the study, what definition of "affordable for the user" did the Task Force use?

*The Task Force used the current rates for its definition of "affordable." The Task Force conducted a survey of authorized users and business people and found that authorized users thought "affordable" video rates were \$10 and under. Business users, however, thought "affordable" video technology was \$5 and under.*

Does Option 3 mean that a private company could buy time on the ICN which would, in essence, make it a utility?

*Yes and no. Option 3 allows a private company to buy CAPACITY from the ICN -- not time. This capacity would then be used and operated by that private company. This would not necessarily make the ICN a public utility, unless the general public becomes a user of the ICN.*

I can see some problems with the status quo. Some public/private relationships will have to be worked out because of all the pressure from all sides.

Is the ICN up-to-date on technology, and will it attempt to keep up-to-date on Internet?

*Yes, the ICN is current in technology. The ICN wants to keep up-to-date nationally and internationally and continue to be a model project and test bed for new technologies.*

Does the state have enough money to maintain its commitment to the people that will be linked up through Part III?

*Yes. The Legislature identified the funds necessary to complete Part III, but these funds will continue to be appropriated annually. The funds will come out of the Rebuild Iowa Infrastructure Fund, which pools increased gambling receipts for special one-time projects. No General Assembly can guarantee what the next will do, but there seems to be a general consensus that Part III will be completed over the next four years.*

How soon do you expect the legislature to deal with this issue?

*The Legislature will probably begin to look at this early in the 1996 Session. If the Legislature does nothing, it will in essence be pursuing Option 9. It is important to note that there is one issue still on the table for the Legislature. A bill which authorized cities and counties to use the ICN was passed by the House last year, and is now in the Senate. This is one issue which the ITTC noted in their report as yet to be decided. The ITTC has stated that it is not supporting or opposing that bill, but the Task Force has made a point in its options to limit the user base to those currently authorized.*

Is there Internet access through the ICN?

*Yes, the ICN has the capability to offer Internet services, and connected sites should be able to access it soon. This is the newest service provided by the ICN, and will be available to K-12 schools and others soon.*

## Des Moines • Des Moines Public Library November 30, 1995

### Attendees

Diane Boggs Johnson, Grandview College  
Gail Bonath, Grinnell College Library  
Mary Braun, House Democratic Caucus Staff  
Barb Cannon Heck, Iowa Medical Society  
Kim Cox, Graceland College  
JoAnn Douglas, State Senator  
Betty Grundberg, State Representative  
Bill Haigh, Senate Democratic Caucus Staff  
Dean Hatch, Urbandale Schools  
Lou Howell, Urbandale Schools  
Judy Jones, State Library  
Ron Langston, Pre-Paid Legal Services, Inc.  
Marilyn Leccese, Broadlawns Medical Center  
Beth Marie Quanbeck, Central Iowa Regional Library  
Ernie Rudolph, Dreamfield Associates  
Paul Smith, Grand River Mutual Telephone  
Ray Vignovich, West Des Moines Public Library

461 Task Force Resource Team Representatives • Sarah Allgood, *Association of Iowa Hospitals and Health Systems*; Judy Pletcher, *Rural Schools of Iowa & Rural Iowa Independent Telephone Association*; Dick Vohs, *Iowa Network Services, Inc.*

State Public Policy Group • Tom Slater, Amy Campbell, and Joe Shannahan

### Comments and Questions

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Why wouldn't the user base be allowed to expand in Option 9?

*The user base could be expanded to those who currently are not authorized users, but that decision is up to the Governor and the General Assembly. Such a decision would likely to be quite controversial. However, no one General Assembly can bind another to any decision, so this is a provision in planning only. The ICN has stated that it is not encouraging any more expansion -- particularly when Part III capacity needs are still not defined.*

Is the Legislature requiring itself to resolve this issue this year?

*It will be addressed this year but a final decision on the network may take longer. If the Legislature agrees with the ITTC recommendation and supports Option 9, no action is necessary except the annual ICN appropriation.*

Is there a clear definition of authorized user?

*Yes, there are four authorized user groups -- education, state government, federal government, and state government. Public libraries and higher education are considered educational users.*

Private telecommunications providers like myself are concerned with issues regarding access to the network for unauthorized -- or not educational -- purposes. We call this the "leaky PBX". Does the ICN intend to address the issue of the leaky PBX? If so, how will it address this issue?

*The ICN is currently exploring a means of better defining "educational uses" through the administrative rules process. Currently, each individual ICN site makes their own determinations on appropriate uses.*

Is there definite prohibition of a private enterprise to use the ICN Hub?

*Yes. The STARC Armory, where the ICN Hub is located, is a federal facility. The federal government will not allow a private company to benefit from use of federal property. Therefore, the federal government would not allow the ICN to be sold or operated by a private company while located in the STARC Armory.*



## Dubuque • Five Flags Convention Center December 5, 1995

### Attendees

Dan Biermann, Universal  
Merrill Crawford, City of Dubuque  
John Dalton, Dubuque  
Rick Dickinson, Greater Dubuque Development Corporation  
Randall Eichhorn, INTERPROC Inc.  
Bob Gallagher, Keystone AEA  
J.F. Gansten, Keystone AEA  
Pam Jochum, State Representative  
Roger Kilburg, Preston Telephone Company  
Mary Kray, Springville  
Russ Larsen, Guttenberg Community School District  
Ed Larson, MUCI.Net  
Kevin Moss, Universal  
John R. McCracken, Carnegie-Stout Public Library  
Mrs. James O'Brien, Dubuque  
Bryce Parks, Dubuque School District  
Charlotte Sheldon, US WEST Communications  
Mary L. Strong, Dubuque  
David Tabor, Clarke College  
Sandy Till, TMHE  
Steve Webber, Dubuque Telegraph Herald  
John S. Wozniak, Clarke College  
Val Zalaznik, TMHE

ITTC Representative • Tami Fujinaka  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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Why is affordability important and how do you define affordability in communications?  
*ICN video rates are affordable to educational users because the legislature made the policy decision to subsidize rates. Affordability is a policy decision that is made and defined by lawmakers. Legislators make decisions on what to subsidize. The decision to subsidize the ICN was a policy decision. In House File 461, the Legislature asked the Task Force to look at options which would ensure that rates to currently authorized users remain affordable. That is why it became part of the study's premise.*

Did the report attempt to define a method to guarantee the assurances?

*No, this is a policy issue and the responsibility of the Legislature. However, the matrix does point out some options to do this under several options.*

Please define excess capacity.

*Excess capacity is that capacity beyond what is needed to transmit communications. Capacity is limited by the equipment on either end. In respect to the Task Force study, excess capacity would be that capacity in excess of that required to meet the needs of authorized users.*

Could the bonds be paid off early?

*The bonds can be paid off early if some very stringent restrictions are met. Bond counsel has detailed the requirements that must be met in the event that the bonds be sold early. First, the State must own and operate the network for five years -- or until 1998. After that, the State may change the status of the network if it (1) escrows sufficient funds to pay the bonds, and (2) gets a private letter ruling from the IRS.*

If the rate is being subsidized by tax dollars, is it really a low rate? Cost is relative when you consider the tax dollars included. What is the actual cost including costs of debt service and other costs?

*The operations cost is about \$42. This does not include debt service. In 1994, the Legislature passed Senate File 2089, which required rates to be set in accordance to operating costs. It was a policy decision by the Legislature to include only operational costs in the calculation of rates. The Legislature made the policy decision to cover the costs of building the infrastructure (i.e. debt service).*

Recently, Forbes magazine carried an ad promoting the ICN as a reason for businesses to relocate in Iowa? How does the ICN justify this ad?

*The ITTC and the ICN were not aware that this ad was being published. It was placed by the Iowa Department of Economic Development without the knowledge of the ICN.*

Why weren't these meetings held over the ICN?

*Throughout this study process, the 461 Task Force has made public information a priority. The Task Force sent out monthly updates to provide interested individuals with information on the process and findings. One of the goals of these public meetings was to reach citizens with information about the process. For the purposes of talking directly with the people, face to face contact in the community was more appropriate. Secondly, the purpose of these meeting was NOT to promote the ICN, but rather to get information out to the people. Using the ICN may have been seen as an attempt to promote the ICN -- which would have been contrary to the purpose of the Task Force.*

Who can we call if we need information?

*Call the ICN staff, Tami Fujinaka is the Public Information Officer, or call State Public Policy Group. If you have an immediate concern, pass your name, address, and question to the recorder and you will be contacted with the response.*

Because of the way the ICN is funded, why do we charge at all for services?

*It is a public policy question that has been determined by the Legislature. They are subsidizing education.*

Did the Task Force consider what would be involved with dismantling a 10-year state bureaucracy?

*The Task Force did look at this. The Task Force was not asked by the Legislature to look at this issue specifically, but it is contained in various parts of the matrix. House File 461 set the parameters of the study, which were grounded largely in fact. The ICN has not been a state agency for one year yet. The fact that the management and operational duties have been divided between several different state departments and agencies for over nine years has presented many difficulties. All information is not yet been integrated into this new department.*

Is this information going to be available anywhere?

*ICN is in the process of developing its own home page on the Internet. The Task Force Final Report Summary and the ITTC Recommendation is available currently on the State of Iowa Database.*

## Fort Dodge • Webster County Courthouse December 13, 1995

### Attendees

Mike Cormack, State Representative  
Mark Lumsden, Iowa Central Community College  
Norman Mundie, State Representative  
Mel Schroeder, Iowa Central Community College  
Mary Shultz, Hamilton County Auditor  
Jerry Steiner, Chair, Hamilton County Board of Supervisors

ITTC Representative • Richard Opie  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Ben Grimley

### Comments and Questions

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From Iowa Central Community College's standpoint, we are obviously supportive of the ITTC recommendation. There are so many unanswered questions about how the network is operating, changing its development in mid-stream could be disastrous.

*Community colleges have a large investment in the network, so it is understandable that there is concern. The Task Force and the ITTC hope that this study will finally dispel the myths associated with the ICN, and put all the facts in one, easily accessible place. The Task Force report should provide legislators with the information they need to develop a long term plan for the network.*

The concern we have, and this is shared by colleagues around the state, is that scheduling has to be done too far in advance.

*Legislators have two options -- stay the course or choose another option. The greatest concern expressed in these public meetings involves programming and scheduling. The participation of educators in a planning process is critical to solving the scheduling issues. In addition, the private sector has a lot of experience that could be helpful to the ICN. One thing that has come up in these public meetings is the need to begin an integrated planning effort at the local and regional levels, and involve both the public and private sectors. There was strong sentiment in the Task Force that, regardless of the option chosen, the public and private sectors need to work together for mutual benefit. There is value in recognizing how the public and private sector can be brought together through a bottom-up development approach.*

I chair the RTC council. We work out conflicts in scheduling. Some members are reluctant in working on planning until we know future policies.

*The ITTC recently asked Dr. Pamela Johnson of Iowa Public Television what was the best timing for rate decisions -- she recommended March. School administrators are in a difficult position, having to plan for classes without real assurances of the rates remaining stable. Educators and administrators need more stability for their planning efforts. The ITTC has determined that the rate structure will not change for this fiscal year. The ITTC is also looking at a two-year rate review cycle, with possible cost-of-living increases, but no surprising jumps in rates.*

We'd like to see the video rate stay at \$5.

*While the ITTC determines rates, it is really the Legislature's decision. The Legislature, as it is constitutionally mandated to do, equalizes education through annual subsidies. As long as these subsidies continue, the ICN can keep rates at the \$5 per hour level. The ITTC did look at raising rates last year, but the Legislature passed a resolution which asked the ITTC to reconsider the increase and maintain the rates at the current level. This sent a strong message that the Legislature continues to be committed to the ICN's low rates.*

How far into the future are rates guaranteed?

*One year -- for fiscal year 1996, which ends in June, 1997.*

I was not aware of that. I did not know that the ITTC had extended the rate until next June. We start planning next month. This is good information.

*The ITTC would like to develop a two-year rate, and make the ITTC a five-person commission. It is too difficult for three people to do all the work, particularly when we can not talk to each other without holding an open meeting. Under this proposal, the State Auditor, which is now an "ad hoc" member of the ITTC, would become a voting member and a fifth member would be appointed. This would allow the ITTC to have committees, and allow members to meet in the field with special interests. We can't do that now. We need to have two commissioners deal with long-term rate planning. Several legislators have commented that planning needs to take priority on the commission, and that expansion of the commission is probably necessary. As a side note, the Task Force conducted a survey which asked 2900 authorized users and businesses what they thought "affordable" meant. Educators and authorized users felt that affordable was up to \$10, while business people felt affordable was below \$5.*

There is concern that in the future about operating costs. We are on the regional hub so we have scheduling responsibilities throughout a nine-county area. We have a person devoted to scheduling the system and staff development appropriated more money to help pay for the scheduler. But now we are looked upon to help Phase III schools with planning. It is almost a full-time job.

*Soon this will get bigger and tougher. Part of the integrated planning structure will need to look at issues of how to help community colleges and others with scheduling and handling other pressures.*

We will be getting a position and money for this. It is crucial that all community colleges receive appropriate operating funds for regional management of the system.

*If the legislature agrees with the ITTC recommendation, Part III will be completed as scheduled and the ICN will have time to plan for the increase in use and the need for training. The ICN is at a critical path right now. The ICN has the potential to offer a number of educational opportunities, and if the ITTC does not get a hold of the scheduling issues, it could really put a blotch on the ICN.*

Maintenance and technical assistance is a big issue. Iowa Public Television has helped with schools.

*The ITTC needs to review the whole structure and planning of the ICN. You have to remember that the ICN started back in 1986, so lots of wrinkles need to be ironed out. The ITTC needs to work on these things now, so that Part III users do not have to suffer through the process.*

I know there's the ITTC -- is this the commission you're talking about?

*Yes. The Commission is the Iowa Telecommunications and Technology Commission, the three-member ICN governing board. There is a fourth, ad hoc, member of the ITTC -- Richard Johnson, the State Auditor.*

At what point is it being contemplated to add counties to the ICN?

*It is not being contemplated by the ICN or the ITTC. However, the Legislature is looking at it. Last session, the bill authorizing cities and counties to use the ICN passed the House by a large margin, but was not brought up in the Senate. The bill, which is in the Senate Committee, is still alive this session. The ITTC recognized this issue is still on table in its recommendation. The Task Force's job was only to look at the present, not the future. This issue is really out of the ICN, ITTC, and Task Force hands. If you are concerned, you should talk to your legislator.*

If the bill passes the Senate without any changes, it will go to the Governor for final approval. The only time it will go back to the House is if the Senate changes it.

*That is right. Please understand that the ITTC does not oppose or support this bill. The ITTC has chosen not to advocate for any position, but to concentrate on making the network as it is today more successful for its current users.*

Is Option 9 to complete Part III of the network and that is it?

*As the Task Force defined Option 9, the State would keep the network as it is now, no new authorized users. That does not preclude further expansion within those user groups, like to all school buildings or additional hospitals. However, no new groups would be authorized. Now, the ITTC recommendation is slightly different. The ITTC recommends that the State choose Option 9 -- stay the course -- until the year 2000. At that time, the ICN and the State can look at the network from the perspective that federal regulatory changes will have been made, Part III will be completed, and bonding issues will be close to resolution. Part III is a critical issue. No one knows how much capacity it will take up in the end. We need to get a handle on how much use new sites will take out of capacity -- new equipment may be necessary.*

What is the count on libraries? Does Part III include schools and libraries?

*As an educational user, libraries have the same options as schools. Some libraries want to wait to use the ICN because they are building a new building or have limited space at this time, while others want to be moved up. There are approximately 100 libraries included in Part III.*

Is the ICN or ITTC looking at the possibility sale in the future?

*No. The ITTC is not even thinking about a possible change in the network until year 2000. From the ITTC perspective, some people say that a sale could be done prior to that time, but if you need to make all the preparations and move the Hub -- it'll at least be the year 2000! The provisions in the tax-exempt bonds can't be changed. If in 2000 sentiment is to sell the network, the State will have two years before the bond date in 2002 to do the valuation and preparations. The ITTC believes the Legislature should monitor these public policy issues and keep the Task Force Report updated as changes in policy are made.*

As years go by isn't it more difficult to sell?

*No, it is easier when you look at the bonds. It is still difficult when looking at the Hub and regional switches. What will make the sale more difficult is if, as Part III use increases, the public begins to support the ICN and users become more satisfied.*

Why weren't these hearings over the ICN?

*Many people at these meetings have asked that question. These meetings are really an extension of the Task Force's commitment to keeping the public and policy makers alike informed on the process and issues involved in the ICN. The Task Force went to great lengths to be objective throughout this process. First, these meetings were not held in user sites or on the ICN because we wanted to make sure that these meetings were not biased. In addition, our job was not to promote or advertise the ICN. Therefore, using the ICN was out of the question. Secondly, we feel that coming out to the citizens of Iowa and meeting face-to-face is most important.*

I have a different concern that goes against what you've said today. I thought I heard you say that the rate structure is set by the Legislature.

*No, the rate structure is set by the ITTC. However, the Legislature appropriates funds which are used to subsidize the rates. Indirectly, this impacts the ITTC's ability to continue to provide rates at their current levels for educational users. Please note that educational and state government users are the only groups able to access the ICN at subsidized rates. Telemedicine and federal government users must pay the full operational rate of \$40 per hour. If the Legislature says we should review the rate structures, the ITTC will follow that advice. However, the ITTC is responsible for rate decisions.*

I think it is a good idea for the ITTC to look at rates in a two-year window. This will allow local school districts, educators, and community colleges to plan more accurately.

If the State continues to manage the network, how will the situation with General Thompson fit in. The Senate has said this gentleman should not continue with these responsibilities, yet he continues to do so. I personally like General Thompson and do not have a problem with him managing the network. However, the Senate has sent a different message. Does this mean the position won't be filled for the 5-year period leading up to the year 2000?

*The Legislature passed a bill in 1994 which required that the executive position be filled, and that does not have to be General Thompson. The ITTC would like to look, instead, at changing the structure of the ICN management. The proposal would expand the ITTC to five members, all subject to Senate confirmation, and take the position of Executive Director away from legislative approval. Either way, this issue will be resolved soon. Right now, Joan Axel is the only confirmed member of the Commission.*

From ISAC conversations, I have heard courthouses are a lower priority than schools and libraries and that we won't get hooked up. Who decided these priorities?

*The Legislature decided. Again, cities and counties are not authorized users, so the ICN can not make plans to connect them to the ICN. The bill that authorizes cities and counties passed the House last session, and is currently in a committee in the Senate. If you are concerned about this, you should talk to your Senator. The bill passed the House by a large, bi-partisan margin. The ITTC will do what legislature tells us.*

What is the time frame on maintenance contract?

*The maintenance contract goes until the year 2003, but is transferrable to the buyer if the network is sold before that time. US WEST can not currently buy the network. However, if Iowa Network Services bought the network prior to that time, they would also be obligated to accept the maintenance contract with the sale, or buy it out.*

It looks like this has been a very fair and proper process.

*The Task Force will appreciate that comment. The Task Force went to the edges to make sure this was an objective process. As we say, if a penny nail can hold it, use a spike. We think that the methodology and use of interest groups created a fair and unbiased process. Task Force members had to approve everything, and many times had to work through issues until they approved the decision unanimously. The Task Force required the facts -- and interest groups came together like they have never done before. The result was that people that were previously opposed to each other were able to understand and respect each other's opinions better. This should carry through the Legislative Session, where the interest groups and legislators will be working off the same set of facts.*

I feel it is important that people get this information. You have done a good job. With the right information, the focus of the debate should be on the real issues.

*People have right to know -- that is why we are here, why we sent out the monthly 461 Updates, and why we studied the full range (10) of options. People often ask why we studied ten options when we were not asked to go into that depth. The*



Task Force knew that the Legislature would wonder, later, why we did not look at excess capacity, or at public-private cooperations. The Task Force wanted to give the Legislature a menu of options to look at. We hope that this report will focus the debate and bring it to a higher level.

## Marshalltown • Marshall County Courthouse November 30, 1995

### Attendees

Bettie Bolar, Iowa Valley Community College  
J. R. Brumley, South Slope Cooperative Telephone  
James Fitz, Heart of Iowa  
Betty Harrison, MCC  
Don Jennings, Mid-Iowa Telephone Cooperative  
Larry McKibben, Marshalltown  
Dan Swick, South Slope Cooperative Telephone  
Mary Travillion, AEA 6  
Steve Williams, Marshalltown Community School District

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group • Tom Slater, Amy Campbell, and Joe Shannahan

### Comments and Questions

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Will the legislature determine access and price for users? Will these proceedings have any impact on access and price?

*The information from all of these meetings will be forwarded to the ITTC and to Iowa legislators. Currently, the ITTC sets the price for the services the ICN offers. The Legislature has the sole authority to expand the ICN user base.*

Does the state own all the fiber in the sheath?

*Yes.*

Are public libraries authorized users?

*Yes. There are four authorized user groups -- education, state government, federal government, and telemedicine. Public libraries are considered to be "educational users".*

I saw an ad in a high technology magazine that highlighted the ICN. This ad tells readers that the ICN is no further than 20 minutes away from any place in Iowa. The ad appears to encourage business to move to Iowa so they could use the ICN. This would put the state in direct competition with private business and that, in my opinion, is wrong. Is this ad from the ICN?

*No. It could be an ad purchased by the Iowa Department of Economic Development. They are probably holding the ICN out as an example of the infrastructure available in Iowa. The ICN does not purchase ads like this. Tommy Thompson asked to see this ad, and will respond with firmer information at that time.*

If the state sold the ICN, would the bond payment be principle and interest?

*Yes, current estimates are approximately \$150 million. It is important to note that the bonds -- which are really Certificates of Participation -- can not be paid off until 1998.*

Does the federal telecommunications deregulation legislation prohibit government competition to private telecommunications firms?

*The final version of the bill is not complete. The House and Senate bills are different and are still being considered in conference committee.*

The State competes with private telecommunications providers by taking authorized users away from these businesses. I am not too upset about this, as long as the no new users are authorized. We (the private telecommunications industry) are concerned that once Part III is completed, the State will change the rules and seek new private authorized users.

*Regardless of the Task Force findings, the ITTC recommendation, and the decisions of this Legislature, there is no way of guaranteeing the private telecommunications industry that no new users will be added. The ICN is not recommending any expansion, as it needs to prepare and plan for the increased use that Part III will bring on the network. There is a constitutional provision in Iowa that states that no Legislature will commit future legislatures to any appropriation or legislation. The bottom line is that the Legislature is the ultimate decision maker in these matters - not the ICN or the ITTC.*

I would like to thank the Task Force and the ITTC for their long hours and hard work. It is good that this report and recommendation was created and produced for Iowans by Iowans.

This is a tool for education. We need to recognize that we subsidize other aspects of education and this technology is what we need. Iowa is unique because all levels of education are talking to each other to get this together.

I am concerned about equity for K-12 to the Internet. Will K-12 have affordable access to the Internet?

*Yes.*

I don't object to subsidizing education but I do object to subsidizing government rates.

*Federal government and telemedicine users pay the full video rate. State agencies do pay subsidized video rates. Voice and data services are not subsidized for any user.*

How are you going to get legislators to read the report?

*Nobody can force a policy maker to read a 300 page document, or even the 28-page summary report. However, this issue's importance will lead those interested in the ICN to read the report. In addition, the ICN provided the full two-volume Task Force Report to all the legislative staff involved with the ICN. This should help with the dissemination of information.*

## Mason City • Mason City Public Library December 6, 1995

### Attendees

Andrew Alexander, Mason City Public Library  
Gary Blodgett, State Representative  
James Clark, AEA 2  
Catherine Durwage, Mason City Public Library  
Dave Fritz, Upper Iowa University  
Karl Griffith, ISU Outreach Center  
Foster Hartman, Winnebago Cooperative Telephone Association  
Leroy Jacobsen, Fenton Cooperative Telephone  
Susan Jellinger, Hamilton College  
Ron Laudner, Farmers Mutual Telephone  
Bob Lincoln, Mitchell County Supervisor  
Jan Lovell, Clear Lake Telephone Company  
Jim Mayland, Titonka Telephone Company  
Bruce McKee, North Iowa Area Community College  
Robert Pickard, Alden Community Schools  
Dennis Scudder, AEA 2  
Charlotte Sheldon, US West Communication  
Jerry Strinnel, Northern Trails AEA  
Ann Swanson, North Central Regional Library System

461 Task Force Representative • Robert Halford, *Clear Lake Telephone Company*  
ITTC Representative • Tony Crandall  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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In Option 3, who would be eligible to buy excess capacity?

*It could be sold to telephone companies or businesses or others. The purchaser is not specified in this option.*

Under Option 9, aren't the people who are using it paying much less than the actual cost for operation, and then wouldn't the state continue to subsidize this?

*This is a public policy issue -- whether the State should subsidize the ICN, and the greater issue of whether the State should subsidize public education. The educational video rate is below operational costs, which are about \$45 per hour. The educational video rate is \$5 per hour. Costs fall between \$40 and \$200 per hour. Telephone companies prefer that the services remain focused on the educational users. Because this is a public policy issue and was not a part of the House File 461 language, it was not analyzed in the Task Force Report.*

The Legislature may not be counted on to keep their word on continued subsidy. This is the nature of policy making bodies.

*This is correct. The Legislature does change its mind. But the Task Force charge was simply to analyze how the issues impacted each option. One concern is the inability for the private telephone companies to plan for the future. To address this concern, the Task Force added the limited user base provision in Option 9. However, the Task Force, the ICN, and the current General Assembly can not guarantee that future Legislatures will not change their minds and expand the user base.*

Did you compute real costs of operating the ICN? Did the Task Force have any knowledge of the excess capacity of the network?

*The Task Force did look at excess capacity. There is no excess capacity unless there is the proper equipment at the ends of the fiber. Today there is no excess capacity on the ICN. It is almost impossible to control the amount of excess capacity because of the electronics. The Legislature passed a law which requires the video rate to be calculated using operational costs and usage rates alone. This is not the "real" cost, but it is the legislated formula for calculating it.*

We have expanded the user base, and some of that is good, but there will need to be more money. The push will be to continue expanding the user base to generate the needed money.

Education beyond K-12 was also intended to be included in the ICN. Post-secondary education has been very important in developing the ICN. Distance learning is important, and the cost issues and considerations for post-secondary users must also be recognized.

There are issues surrounding how community colleges use the ICN. Their use should be limited to students, and not compete with private industry. It is not appropriate that community colleges offer reduced cost services to the private sector.

*The ICN is working on revised administrative rules to tighten up some of the definitions regarding educational use and access protocols. This will help these issues. Currently, the ICN end users determine the appropriate use of their connection.*

Private industry can lose business through expansion of the user base. Some kind of public-private partnership might be possible to help the rates approach real costs.

Did the ITTC determine how much money the State will have expended for the ICN by the year 2000?

*These figures are available in the document titled "Facilities Investment Summary", included in the Task Force Report's Appendix. This is the first time this data has been available. Phase III is estimated to cost about \$98 million over the next four years and will be funded out of excess gambling revenues. Approximately \$140 million has been paid over the past years as government investment in the ICN. Others, such as schools, have also invested a good deal of funds in their facilities and equipment.*

Is there a cost analysis that includes subsidy for tuition that results from increased use?

*None of those costs are included, as they were not available to the ICN at that time.*

It is critical that schools be able to plan because funds to develop these things often come from other areas of the budget. What might be expected in rate levels?

*The ICN is adding about 200 classrooms this year. The ICN proposed to raise rates earlier this year, but the Senate passed a resolution that asked that the ITTC leave the educational user video rates at \$5 per hour. There has been a commitment by the Legislature to keep affordable rates and access for education. This will likely continue.*

Speaking as a private university, two issues surface. One -- the lack of a tuition subsidy that the community colleges and regents universities get -- creates a disadvantage. Second, the issue of competition has had an impact on delivery of courses throughout the state.

Is there private fiber optic cable being laid now in Iowa?

*There is much more private cable in the ground in Iowa than there is in the ICN. If you laid the maps of private fiber and ICN on top of each other, the State is full of it.*

The Administrative Rules may never be tight enough to keep out non-authorized users if this is available in the public library. Libraries have been told they must have the video conference as well as data line when they really only need and want the data line.

*Data communication is done better by other types of technology. If you are only doing data communication, you don't need fiber optics. You only need fiber if you are doing video.*

Who selected the technology of the DS3? Minnesota has a system that does it for far lower cost. It is so much overkill.

*It could not be dealt with by the Task Force because it was an issue of the past. The Task Force tried very hard to leave the past alone and not discuss the issues involved with the creation of the network. The Task Force dealt with the "here and now".*

How much more money will be required to be appropriated to operate the network in 1996-99? It may be cheaper to give the network away.

*That again is a policy issue, and a fiscal issue. The General Assembly will need to conduct some advanced fiscal analyses in order to determine value. Determining the value and doing these cost comparisons will cost of approximately \$1.5 million.*

I'm assuming the "pipeline" is being operated at a minimal level at this point. Is this correct?

*The fiber is all in. The fiber backbone is in place, and the electronics are in place for the anticipated need. As more Part III sites are added, the equipment to make the network operational is installed.*

## Ottumwa • Ottumwa City Hall November 29, 1995

### Attendees

Richard Arnold, State Representative  
Jerry Critz, US WEST Communications  
Richard Dutton, Indian Hills Community College  
Len Gross, Ottumwa Regional Health Center  
Sandy McLain, Fox Valley Community School District  
Jim Miller, Citizens Mutual Telephone Company  
Kris Nabholtz, Office of Congressman Jim Lightfoot  
Carl Radosevich, Southern Prairie AEA  
Chuck Sengstock, Indian Hills Community College  
Darla Shockley, Indian Hills Community College

ITTC Representative • Harold "Tommy" Thompson  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Tori Squires

### Comments and Questions

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Would Option 10 require any change in the Iowa Code?

*Yes, significant changes may be required. First, the authorized user base would need to be opened to the public. Second, the structure of the ICN would need to be re-evaluated. Third, there is a "non-competition clause" that would need to be reviewed. There are a number of ancillary provisions which would need to be changed as well.*

We are pleased with the ICN and believe it is a powerful asset. We do have a concern that we will have to put a lot of our assets into hooking up to the system. We also believe that keeping the rates affordable is critical.

Looking at long-range planning, will scheduling become easier in the future?

*The ICN and the ITTC are looking at a more efficient way of scheduling so that it will be easier by the time Part III users come on the system. The ICN would like to do on-demand administrative scheduling in the near future. The Regional Telecommunications Councils (RTCs) are in charge of scheduling now and will continue to be involved in determining and implementing a plan which eases scheduling difficulties.*

As you start looking toward the future, will you be doing more education and more strategic planning?

*The ICN is going to begin a grassroots effort to build a strategic plan which includes the ideas and thoughts of users. This planning effort will not only include those users currently authorized, but also representatives from the public and telecommunications industry. The ICN would like to develop plans locally to drive the central planning process, and recognizes that community involvement is essential for a plans success.*

I would like to complement the Task Force and the staff on the comprehensiveness of the study and their efforts to keep everyone informed on the process. It was very well done.

In the view of the local telephone companies, it is critical that no additional private users be added to the ICN. Am I correct in saying that with the ITTC's recommendation no additional users will be added to the ICN?

*Yes, you are correct. This was a very important provision in Option 9 from the Task Force perspective.*

I have a question on the definition of educational users. If an insurance company uses the network at a community college for an educational use is that considered in the definition?

*Currently, each user develops their own set of policies that govern this particular issue. Without state-wide guidelines, this issue has created some confusion. To prevent this in the future, the ITTC and ICN are looking at establishing state-wide guidelines through administrative rules which clarify the definition of "education". These standards will still need to be enforced at the local or regional level. The ITTC and ICN are working on these rules as we speak, so they should be implemented in the near future.*

The \$5/hour video rate is really critical to education users and I hope it stays at the current rate.

*Early this year, the ITTC made a recommendation to increase rates, but the Legislature passed a resolution asking the ITTC to revisit the change. The ITTC followed the Legislature's direction and kept the educational video rates at the \$5 level. In the next few years, there will probably be a 5% cost of living increase each year. This will mean it will go from \$5/hour to \$5.25/hour next year. The ITTC made the decision that this would be more acceptable than keeping the rate low for several years, and then implementing a dramatic rate increase in one year.*

What the Task Force has done is great, but I think the legislature needs to make a decision and stick with it.



## Sheldon • The Iron Horse December 7, 1995

### Attendees

Leta Brown, NCC  
Lois Gurdin, US WEST Communications  
Val Haverhals, Hawarden Library  
Bill Herzog, Northwestern College  
Barry Lawrensen, Northwestern College  
Jean Mantman, Sioux Center Public Library  
Mark Matthes, US WEST Communications  
Jerry Nichols, George Community School District  
Dave Raak, Hospers Telephone Company  
Wayne Reed, NCC  
Richard Reitsma, Northwestern College  
Rob Robinson, Northwestern College  
Gary Rosenboon, NCC  
Colette N. Scott, NCC  
James Short, Communications Consultant

ITTC Representative • Richard Opie

State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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What is the difference between private management and private operations?

*It is an issue of risk. Under the options that contract out the management of the ICN, the state retains the risk. Under private management, the ICN department would be replaced with private contracted managers.*

Can we get a copy of the full Task Force report?

*Contact the ICN office in Des Moines and they will get a copy to you. You may also call the State Public Policy Group.*

Our K-12's will be last on-line in this area. Will this be funded this year?

*Each year there will be a one-year appropriation to bring more of the schools on. Your concern about the uncertainty and need for planning is valid. No General Assembly can guarantee future appropriations. Even those who suggest selling the ICN intend to continue to subsidize educational use through another method.*

You're recommending Option 9?

*The ITTC is recommending Option 9, including the provision that the Legislature not expand the authorized users any further. The ITTC did note in its recommendation that one such issue is currently on the table -- the Legislature currently has a bill in the Senate which adds cities and counties. This bill passed the House last year, and is still alive this legislative session. Telephone companies particularly need the limits so they can plan their future. This planning could include local level private and public sectors.*

The ITTC just voted to continue the current rate structure for another year. Is that contingent on appropriation for subsidy?

*Yes. The ICN is continuing to move toward being self-supporting for the operational side. Policy makers already are looking at broader technology issues. The subsidy could be looked at as a subsidy for education, not a subsidy for the ICN. The ICN is currently looking at a two-year rate plan, which would allow educators enough lead time to plan in two-year cycles.*

The ICN was established to provide distance learning opportunities equally for all citizens of Iowa. Somewhere we have deviated from that purpose. We can't operate this on \$5 per hour. The State didn't have enough money, so then private industry was added.

*No, the private sector was not added. The ICN is working on administrative rule changes right now that will clarify who is eligible to access the network, and under what circumstances. That concern is shared by the ITTC and is being addressed. Internet use is another example. That is being worked on as well. The ITTC will work hard to make sure that the intent of the Legislature is followed.*

Consider uses by colleges, universities, and telemedicine. The ICN has moved from an educational video provider to inter- and intra-LATA carrier.

*The Task Force's charge was clear -- to look at the options within the context of what we know today. This issue is again one of the past, and therefore not looked at by the Task Force. The Legislature establishes the parameters that the ICN works within. The ICN has stated that it will not seek to expand the network beyond its current limitations. That is why the recommendation of the ITTC was Option 9 -- confining the user base to its current levels.*

Who are the authorized users and for what are they authorized?

*Authorized users are education (public and private schools, colleges, and universities; community colleges; libraries), telemedicine (hospitals, rural clinics), federal government, and state government. Authorized uses are for video, voice, and data. Telemedicine is authorized to use the network for telemedicine use only.*

You say libraries are authorized users now. With the Internet, can others get access through the libraries, and is that permitted?

*At this point it is the perspective of the ITTC that it is OK for libraries to set up facilities in the library for citizens to come in and use the Internet. Unauthorized users would be those who might access it by dialing up from home or business. This issue is currently under review by the ITTC, and administrative rules will be developed to enact any changes.*

If you're talking about educational use, a student calling from home to access the Internet through the library is an educational use. My concern is that the "current authorized user" becomes artificial.

*This is a new question and will require a complex evaluation to develop appropriate Administrative Rules. If the ITTC can't resolve this, it will be taken to the Legislature.*

As a citizen in Orange City, we don't have access to the Internet. We don't have equal access to the educational system because the local telephone company does not offer the service.

It makes sense that "authorized user" should be defined in terms of authorized use. A professor doing research from his office at the university does not cease to be authorized if he does research from his home computer.

Isn't \$5 per hour a ridiculous rate to charge?

*Rate increases were suggested a year ago by the ITTC. The Legislature passed a resolution last year asking the ITTC to reconsider the rate increase, and keep rates at the \$5 level. As a side note, 2900 authorized users and business people participated in a task force survey. They were asked what rates were considered "affordable". The authorized users would accept a rate of \$10, while business people wanted it to be below \$5. Actual operational costs are about \$40. Others consider capitalized costs and use a figure of about \$150, even though that is not traditionally done in infrastructure projects.*

Regarding the professor accessing the Internet from home, you don't know why or what he is using it for. Does being a taxpayer mean one could use a library room for a private party? Look at it as an authorized location.

The ICN is going to become a real kicking boy because it is there. The communications area is changing so much and people are finding ways to access it at a lower cost. The telephone companies have in the past been able to control most of the access.

Affordable -- for whom is the question. The \$5 rate is affordable for the end user, but is not affordable for the state.

*This is a public policy decision of the Legislature. It is one of many things that have been and will continue to be subsidized.*

## Sioux City • Sioux City Convention Center December 7, 1995

### Attendees

Sharon Gray, Briar Cliff College  
Lois Gurdin, US WEST Communications  
Bonnie McKewon, Northwest Regional Library System  
Sandra Mitchell, Morningside College  
Sue Morris, LeMars Public Library  
Fr. Patrick O'Kane, Diocese of Sioux City  
Tammy Reynolds, Williams & Company  
Maurice Welte, Woodbury County Board of Supervisors  
Sr. Margaret Wick, Briar Cliff College, RTC Member

ITTC Representative • Richard Opie  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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Do you know if the public library video rate would be \$5 per hour?

*I think it would be \$5, but we will check and get that information to you. \$10 is the administrative cost; \$40 is for telemedicine and federal government.*

Are you going to explain this to the Legislature? This is a good objective explanation, and issues seem to get confused in the Legislature.

*The ITTC has asked the State Public Policy Group and members of the Task Force to meet with the appropriate committees and to be available to provide information if asked. It is also your responsibility to talk to Legislators. The 461 Update was a tool to keep the information in front of policy makers and the public. This Report provides, for the first time ever, all the necessary information in one binder, easily accessible by the Legislature.*

Have any of the legislators sat in on these meetings?

*They have been present at nearly every meeting except this one. They received personal letters of invitation.*

Is one of the purposes of these meetings to give us information so we can go to legislators and say the people attending the meeting felt this way?

*The Task Force wanted to make sure that the public was informed of the information and issues contained in the final report. State Public Policy Group is representing the Task Force at these meetings, and is presenting only that information contained within the report. These meetings were not held over the ICN or in user sites because we did not want to be accused of "promoting or advertising the ICN". Instead, we chose public meeting sites which were readily accessible by the general public.*

People don't realize how remarkable this system is and that it is unique in the nation.  
*The state-by-state analysis clearly showed that.*

Early on, the primary focus was said to be education. At least in this part of the state, K-12 doesn't seem to be that active. How active do teachers want this to be?

*It is true that some teachers are reluctant to use the ICN and others do not want to use it. ICN access is a local policy decision. Levels of interest in the ICN varies greatly from school district to school district. The state has made an investment, and educators, school boards, and libraries will also need to make an investment. It would be good if the public and private sectors would begin to do some planning together. The ITTC is looking at some sort of integrated planning process which involves both private and public sectors.*

The subsidy for K-12 seems to be a bit different than for post-secondary. In Nebraska they tack a surcharge on it, and people think nothing of it.

*There's no reason the Regents couldn't do that. This is an educational policy issue.*

The state may not need to subsidize education at the same levels forever.

*At this time, until the system has stabilized and you know what the use and expectations are, there needs to be some consistency. We need to be able to tell educators and others what the rates will be. We should always be looking at rates, not necessarily raising them, but continually be reviewing them.*

Who do you predict will be the lobbying groups for and against this?

*One of the myths that persists is that US WEST will try to buy this. It is important to note that they are prohibited by law from doing so. The small telephone companies continue to lobby for their point of view. One of their concerns is to limit use by users who don't fall directly into one of the authorized user categories. The ITTC doesn't perceive a lot of opposition by small telephone companies; they don't want authorized users expanded. Traditional constituencies will continue to lobby for the network. Cities and counties need to consider that the House passed a bill that would add them to the authorized user base. This could be addressed in the upcoming session. Some legislators for whatever reasons oppose the network. Questions are could it be changed and should it be changed. They voted to complete Part III.*

I think the Legislators should be charged with not listening to any lobbying group. If they would take the information provided by the Task Force and base their decision on fact, it would be a better decision.

*The Task Force debunked a lot of myths. The issues of obtaining federal grants and whether the network could be sold are two examples. State Public Policy Group staff will continue to be available to answer questions for legislators in the early phases of the discussions. The ICN will try to keep discussions in the Legislature based on facts provided in the report.*

## Spencer • The Hotel December 6, 1995

### Attendees

Tom Conley, Spencer Community Schools  
Esther Connell, Spencer Public Library  
Neal Drefke, Spencer Municipal Utilities  
Lois Gurdin, US WEST Communications  
Judy Hemphill, Spencer Community School Board  
Bernie Keninger, Spencer Public Library  
Jack Kibbie, State Senator  
JoAnn Lawson, Spencer Public Library  
Jan Lund, Iowa Lakes Community College  
Glen Lohman, Spencer Community School District  
Tom Maertens, Spencer School Board  
Donald D. Miller, Northwest Internet, Northwest Telephone  
Dr. Kent Mutchler, Spencer Community School District  
John Moud, Buena Vista University  
Vicki Myron, Spencer Public Library  
Deb Nelson, Terril  
Doug Nelson, Terril  
Susan Nothwehr, Spencer Community Schools  
Janet Pine, Buena Vista University  
Leon Rodas, Spencer Municipal Utilities  
Tom Ruthan, US WEST Communications  
Bryan Roth, Ayrshire Telephone Company  
Bill Salton, State Representative  
Rich VandeHoef, State Representative  
461 Task Force Resource Team Representative • Gary Feddern, *Iowa Lakes Community College*  
ITTC Representative • Tony Crandall  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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How would contract operations be structured under those options?

*Under the contract options considered, there would be a variety of different ways the contracts could be constructed. However, this is a policy decision which the Legislature will need to look at. The contracts have the potential to be very complicated.*

Until we get Part III hooked up, we won't know how much excess capacity is available, will we?

*The fiber that is in the ground can handle as much as will ever be needed. The equipment on each end -- the pumps on each end of the large water pipe -- are relatively small. The size of the equipment will determine how much capacity the system has. Capacity needs of Part III users will not be known for about four more years.*

The educational institutions have concerns. The rates are currently \$5 per hour. Educators need to plan. They understand the state will need to subsidize.

*The projected actual cost is \$40, which does not include taxes or debt service. Some say that costs are about \$150, which is capitalized costs. These costs attempt to capture all expenses incurred from the beginning of the network. People will cite different costs based on different perspectives. The issue is really whether the Legislature is subsidizing the ICN or subsidizing education. This is a policy issue. In the survey conducted as a part of the Task Force research, the private sector defined "affordable rates" as under \$5, while the educators and authorized users felt "affordable" was up to \$10. The Legislature sent a strong message that they have a commitment to distance education. The ICN calculates cost based on usage, operation, and maintenance costs, which were 91,000 hours and 138 classrooms at the time the rate was figured. In 4 years there will be 700 classrooms and a million hours of use. As the cost decreases because of increased use, there could be a reduction of the subsidy. However, there will need to be some reinvestment in upgrading the equipment, which will require more money.*

I thought the system was built for distance learning video, but now others are using the system.

*Originally, the network was constructed for education. However, policy makers began to question the cost of providing this service to education alone. In order to keep cost to education down, the Legislature authorized the ICN to offer services to other users and provide voice and data services to generate some revenue to offset costs to education. The ITTC is in the process of revising its administrative rules to address the issues of use of the ICN by those not directly authorized.*

Most of the funds are going to other services to raise revenue. That takes away from the private sector.

*Once the network had to turn to other sources, it lost its identity as "The Educational Network." ICN hopes to come away without having to have any subsidy from the state. Because of this issue and how it affects the private sector, the Task Force came away feeling the authorized user base should not be expanded. You cannot second-guess Legislators of the future. The Task Force could only look at what the ICN is today. The ICN cannot police users at the end of the system. That has to happen where the use occurs.*

Under 2089, the RTCs will be writing rules for use as well.

*This is good as it is grassroots level planning that involves both the public and private sector.*

I would highly recommend that the ITTC be expanded to at least five individuals, so two commissioners can at least talk with on another. They are inhibited by the open meeting laws.

There should be education to the general public about the fiber optic system. If they knew what it is, they would appreciate it and support it. Legislators need to get this information out to the general public.

As a legislator involved from the beginning, I think we have made some great strides in the last two years. The movement is in the right direction.

What caused you to consider these options?

*The Task Force looked initially at three options, as required in House File 461. The scope of the study was expanded to ten options in response to questions and ideas raised by Legislators and others. The ten options explored will "cover all our bases", covering the full range of options open to the Legislature -- from complete privatization to a state telecommunications utility.*

How was the maintenance agreement let? Was it on an RFP basis?

*The original RFP required that there be a maintenance provision in the bid. The contractor that won the contract assigned the maintenance portion to another company.*

Bidding implies specifications. Who would write the specifications so you are bidding apples against apples?

*The Legislature would initially define the scope of the bid or RFP. However, the Part III RFP was a very complex process -- the sale would be much more complicated. It will also require \$1.3 million to conduct an valuation prior to any sale.*



## Waterloo • YWCA December 5, 1995

### Attendees

Steve Anderson, Hawkeye Community College  
Richard R. Baker, Farmers Cooperative Telephone Company  
Bob Brunkhorst, State Representative, Century Companies of America  
Ken Davenport, Waterloo  
John Humpal, Hawkeye Community College  
Bev Lind, Waterloo Public Library  
Roger Otis, LaPorte City Telephone Company  
Roger Rezabeck, Hawkeye Community College  
Randall Schroeder, Wartburg College  
Charlotte Sheldon, US WEST Communications

ITTC Representative • Tami Fujinaka  
State Public Policy Group Staff • Tom Slater, Amy Campbell, and Arlinda McKeen

### Comments and Questions

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Educational opportunities are provided through both the ICN and other avenues such as IPTV. The state should continue to support education for lowans.

It has been stated that private industry employees cannot work at the ICN Hub. Is this true?  
*The ICN is a federal facility, and private companies are prohibited from benefiting from the use of such a facility. Contract employees may well be considered ICN contract employees.*

None of these options provide a method for generating immediate revenue.  
*This was not the charge of HF 461. That is a public policy question. The appropriation request to subsidize video will decrease each year as Part III is completed and use increases. Subsidizing education in Iowa is required by the Constitution, it is a part of the equalization formula. Subsidization of distance learning is a part of the larger educational subsidization issue. These issues are the responsibility of the Legislature.*

The development of the ICN duplicates things already accomplished in the private sector. It looks like completion of Phase III might stifle or impede the growth of the private sector.  
*Task Force agreed (including the small and large telephone companies) that the authorized users should not be allowed to expand so the private sector has an opportunity to plan and know what the future will bring. The Task Force agreed that the private sector has a lot to offer, and that the private sector and State should come together in some way. The ICN is looking at the establishment of an ongoing planning strategy which integrates the private sector with the public sector*

*in the future. Monitoring the development of the network is very important.*

What definition of education did the 461 Task Force operate under?

*The 461 Task Force worked within the current confines of the law. For the purposes of this Task Force, it was not important to define "educational use". The Task Force looked at education from the traditional standpoint, and included public libraries. The ITTC will shortly look at better defining who the users are and what educational use is through the administrative rules process.*

What actually happens with this report now and in the Legislature in the coming months?

*The ITTC made the recommendation after reviewing the Task Force document. The ITTC recommendation, along with the Task Force Report, has been submitted to the Legislature. It will be presented to the appropriate Legislative committees and staff. The ultimate decision on what course of action to take will be left up to the Legislature. The Legislature may begin to plan for any future action.*

The Legislature should enter into short- and long-term contracts with caution, if the plan is to change the ownership of the network in the future.

Does the Legislature have the prerogative to reject the study?

*Yes, but that does not look like it will be the case. It would be most likely that the Legislature would accept the study, but not abide by the ITTC's recommendation.*

Educators and other users are concerned that they are committing themselves to risky investments when the State could not live up to its end of the bargain. Is the state prepared to make a 20-year commitment to the ICN -- the life span of the fiber?

*This is up to the Legislature. They have made a commitment to education and distance learning. Users have legitimate concern about the longevity of the network and the State's commitment to maintaining it. This issue must be worked out at the public policy level.*

Is the \$40 per hour operation cost on video based on the number of hours in use?

*Yes. The operational cost will decrease as more people use the ICN. This cost does not reflect the cost of debt service, etc.*

What is the true cost per hour for video?

*The Task Force did not talk about capitalized costs or tax issues. They did discuss costs of debt service, and compared the difference between the private sector and ICN rate calculations. The Task Force did this to better understand some of the private industry concerns, but this was not within the scope of the Task Force study, as described in House File 461.*

What is the status of the Iowa Utilities Board Study?

*It will be completed and filed by January 15, 1996.*

# Mail Plan

## Special Mailing List (1113)

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### Public Notices (742)

*Each member of these organizations received a brochure, special letter, and poster notice. The letter asked them to post the notice in a public place.*

- Public Libraries (562)
- County Auditors (99)
- Community Colleges (15)
- AEAs (15)
- Independent Colleges & Universities (27)
- Independent Living Centers (5)
- Community Action Agencies (19)

### Public Officials (153)

*Each public official received a personalized invitation letter and brochure.*

- Senate (50)
- House (50)
- Governor (1)
- Attorney General (1)
- Treasurer of State (1)

### 461 Task Force (30)

*Each member received a personalized letter & brochure, as well as an early notice of these dates.*

- Task Force (13)
- Resource Team (19)
- ITTC (4) & ICN Staff (4)

### Advisory Boards (173)

*Each advisory board member received a special letter and brochure.*

- ETC (18)
- RTCs (135)
- Telemedicine (20)

### Primary Organization Contacts (10)

*The Executive Directors of the following organizations were called and asked to distribute information on these meetings. They received a brochure & personalized, follow-up letter thanking them for distributing the information in the brochure to their members.*

- ISU Extension (Paul Coates)
- League of Iowa Cities (JoAnn Strack)
- ISAC (Bob Mulqueen)
- ABI (Matt Eide)
- Iowa Medical Society (Becky Roorda)
- Iowa Rural Schools Association (Judy Pletcher)
- Iowa Association of School Boards (Susan Donovan)
- RDC (David Plazak)
- Iowa Farm Bureau
- Iowa Association of Realtors

## Secondary Organization Contacts (5)

The Executive Directors of the following organizations received a brochure & personalized mailing asking them to distribute the information in the brochure to their members.

- PTAs
- Iowa Business Council (Myrt Levin)
- IARRF (Linda Hinton)
- Iowa Bar Association (Paul Lane)
- Communications Workers of America (Don Brown)

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## ICN Public Meetings General Mailing List (912)

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Each of the below members of the following organizations received a brochure.

- Pre-Meeting List (96)
- IARC (16)
- Iowa Telephone Association (149)
- Iowa Cable Association (138)
- 461 Update Mailing List - those not included on other lists (111)
- Lobbyists & State Department Staff/Directors (50)
- Community College Trustees (124)
- Association of Iowa Hospitals & Health Systems (125)
- Miscellaneous (57)
- Key Federal Congressional & Departmental Staff (27)
- Key State Policy Staff (19)

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## Press Contacts

A press advisory was sent out through Media Link (all radio, television, and most print media in Iowa). A press release was sent to targeted media near the sites of the sixteen meetings.

# History of the 46<sup>1</sup> Task Force

General Assembly  
HF 461  
*Requires ITTC to study feasibility of  
sale or conversion to public utility*



ITTC  
*Appoints task force to  
conduct feasibility study*



**461 Task Force**  
Joan Axel, Chair  
Robert Halford  
Yale Kramer  
Gen. Warren Lawson  
Todd Linden  
Jim Meyer  
Ben Norman  
David Roederer  
Ed Stanek  
George Strawn  
Allan Thoms  
Emmett Vaughan  
Teresa Wahlert



ITTC  
*Reviews options studied  
by task force and makes  
recommendation*



Recommendation



General Assembly

B1

46<sup>1</sup> Task Force

c/o Clemens Building ■ 200 10th Street ■ 5th Floor ■ Des Moines, Iowa ■ 50309

Iowa  
46<sup>1</sup> Task  
Force

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Public  
Meetings

N  
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# History of the 461 Task Force

Each year, Iowa policy makers debate the future of the Iowa Communications Network. Earlier this year, the Iowa Legislature asked that a study be completed on whether the ICN should be sold to private industry, or converted into a public utility. The 461 Task Force was appointed to complete this study, and the ICN's governing board was asked to make a recommendation.

- During the 1995 legislative session, Iowa lawmakers passed House File 461 requiring the ICN governing board, the Iowa Telecommunications and Technology Commission (ITTC), to study the feasibility of two options -- selling the ICN to a private operator or converting the ICN into a public utility.
- The ITTC appointed a 13-member Task Force to complete this study and report its findings to the ITTC by October 13, 1995.
- The Task Force expanded the study to include a full range of sale and public utility options. Ten options were examined in this study.
- The Task Force met nine times over a 100-day period.

# You are invited to attend a series of public meetings about the Iowa Communications Network

The 461 Task Force Report has generated considerable interest from citizens curious about the study results and the range of options examined.

These meetings have been planned to respond to those citizens who have requested more information, and to give others the opportunity to question those involved in the study.

Each of the 16 public meetings will begin with a presentation by those involved in the 461 Task Force process.

The presentation will address the reasons for the study, the process used to complete the study in the four-month time period, and the results of the Task Force's analysis. Following this informational presentation, the public will be given the opportunity to ask questions.

If you are interested in the ICN, or you wish to better understand the issues involved in determining the future of the ICN, please plan to attend one of these very important meetings.

**Questions? 515/243-2000**

# Meeting Locations

Plan to attend one of the  
Public Meetings in your area.

## Monday, November 27

6:00 - 8:00 pm . . . . . Public Library, E. Jean Schwab Auditorium, 140 5th St., Coralville

## Tuesday, November 28

11:30 am - 1:30 pm . . . . . Public Library, Beemis Auditorium, 500 1st St., S.E., Cedar Rapids

6:00 - 8:00 pm . . . . . Public Library, 321 Main St., Davenport

## Wednesday, November 29

11:30 am - 1:30 pm . . . . . Des Moines County Courthouse, 513 N. Main, Burlington

6:00 - 8:00 pm . . . . . City Council Chambers, 105 E. 3rd, Ottumwa

## Thursday, November 30

11:30 am - 1:30 pm . . . . . Public Library, Main Branch, 3rd Floor Meeting Room, 100 Locust, Des Moines

6:00 - 8:00 pm . . . . . Marshall County Courthouse, Meeting Room #2, 1 E. Main, Marshalltown

## Tuesday, December 5

11:30 am - 1:30 pm . . . . . Five Flags Civic Center, Orpheum Room, 4th & Locust, Dubuque

6:00 - 8:00 pm . . . . . YWCA, Grace Cornish Room, 425 Lafayette St., Waterloo

## Wednesday, December 6

11:30 am - 1:30 pm . . . . . Public Library, Auditorium, 225 2nd St., S.E., Mason City

6:00 - 8:00 pm . . . . . The Hotel, 605 Grand Ave., Spencer

## Thursday, December 7

11:30 am - 1:30 pm . . . . . Iron Horse Inn, 1111 S. Hwy 60, Sheldon

6:00 - 8:00 pm . . . . . Convention Center, 801 4th St., Sioux City

## Wednesday, December 13

11:30 am - 1:30 pm . . . . . Webster County Courthouse, 703 Central Ave., Fort Dodge

## Thursday, December 14

11:30 am - 1:30 pm . . . . . Senior Citizens Center, 900 S. 6th St., Council Bluffs

6:00 - 8:00 pm . . . . . Congregate Meal Site, 116 W. Adams, Creston

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# Public Meeting Notice

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Are you interested in the future of the State of Iowa's fiber optic network?  
Do you want to know more about how various policy options will affect educational users and other telecommunications providers around the state?

If so, plan to attend one of the public meetings being held to discuss the results of a recent study completed by the 461 Task Force.

During the 1995 legislative session, Iowa lawmakers passed House File 461 requiring the Iowa Communications Network (ICN) governing board to study the feasibility of two options -- selling the ICN to a private operator or converting the ICN into a public utility. The 461 Task Force, which was appointed to complete this study, analyzed ten different options for the future of the state's educational telecommunications network. These public meetings will review these ten options, review the study process and results, and give the public the opportunity to question Task Force members and facilitators.

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## Meeting Locations

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**Monday, November 27**  
6:00-8:00 pm • Coralville  
Public Library, E. Jean Schwab  
Auditorium, 140 5th St.

**Thursday, November 30**  
6:00-8:00 pm • Marshalltown  
Marshall County Courthouse  
Meeting Room #2, 1 E. Main

**Thursday, December 7**  
11:30 am-1:30 pm • Sheldon  
Iron Horse Inn, 1111 S. Hwy 60  
  
6:00-8:00 pm • Sioux City  
Convention Center, 801 4th St.

**Tuesday, November 28**  
11:30 am-1:30 pm • Cedar Rapids  
Public Library, Beems Auditorium,  
500 1st St., S.E.  
  
6:00-8:00 pm • Davenport  
Public Library, 321 Main St.

**Tuesday, December 5**  
11:30 am-1:30 pm • Dubuque  
Five Flags Civic Center, Orpheum  
Room, 4th & Locust  
  
6:00-8:00 pm • Waterloo  
YWCA, 425 Lafayette St.

**Wednesday, December 13**  
11:30 am-1:30 pm • Fort Dodge  
Webster County Courthouse,  
703 Central Ave.

**Wednesday, November 29**  
11:30 am-1:30 pm • Burlington  
Des Moines County Courthouse,  
513 N. Main  
  
6:00 - 8:00 pm • Ottumwa  
City Council Chambers, 105 E. 3rd

**Wednesday, December 6**  
11:30 am-1:30 pm • Mason City  
Public Library, Auditorium  
225 2nd St., S.E.  
  
6:00-8:00 pm • Spencer  
The Hotel, 605 Grand Ave.

**Thursday, December 14**  
11:30 am-1:30 pm • Council Bluffs  
Senior Citizens Center,  
900 S. 6th St.  
  
6:00-8:00 pm • Creston  
Congregate Meal Site,  
116 W. Adams

**Thursday, November 30**  
11:30 am-1:30 pm • Des Moines  
Public Library, Main Branch  
3rd Floor, 100 Locust St.

**For more information or to RSVP,  
call: 515/243-2000**

# 461 Task Force

November 17, 1995

Dear county auditor,

On October 13, 461 Task Force concluded its study of alternatives for the ICN. Following the directive in House File 461, the Task Force examined ten options, ranging from the sale of the network to conversion to a public utility.

Throughout this study process, the 461 Task Force has made efforts to keep the public informed about the options studied and the important issues addressed. The study continues to generate many calls from citizens who want more information on the task force process, the ten options studied, and ICN governing board's recommendation.

For this reason, a series of 16 public meetings have been planned around the state. These meetings will be informational and focus on the 461 Task Force's process and findings.

These public meetings have been structured as informational sessions, with a brief presentation made by the 461 Task Force facilitators. Following this presentation, the public will be given the opportunity to ask questions about the study, its implications, and its findings. Whenever possible, 461 Task Force members and members of the Iowa Telecommunications and Technology Commission (ITTC) will be available to answer questions.

**We encourage all who are interested in the ICN and in the Task Force's findings to attend these meetings. To facilitate the dissemination of the dates and locations of these meetings we ask you please post the enclosed public notice in your facility. Please feel free to make additional copies as post at your discretion.**

If you have questions regarding these meetings, please contact Amy Campbell at 515/243-2000.

Sincerely,

Joan Axel, Chair  
General Warren Lawson  
Jim Meyer  
George Strawn, Ph.D.  
Teresa Wahlert

Robert Halford  
Todd Linden  
David Roederer  
Allan Thoms

Yale Kramer  
Ben Norman, Ed.D.  
Ed Stanek, Ph.D.  
Emmett Vaughan, Ph.D.





How

Think



## **461 Task Force**

c/o State Public Policy Group  
200 -10th Street, 5th Floor  
Des Moines, Iowa 50309

Thank you for participating in one of the sixteen 461 Task Force public meetings. We greatly appreciate your comments and participation in these meetings. The Iowa Communications Network is an important and complex issue, and we appreciate your interest in the Task Force report and the issues contained within it.

Thank You & Happy Holidays from  
the 461 Task Force

Joan Axel, Chair  
Yale Kramer  
Todd Linden  
Ben Norman, Ed.D.  
Ed Stanek, Ph.D.  
Allan Thoms  
Teresa Wahlert

Bob Halford  
General Warren Lawson  
Jim Meyer  
Dave Roederer  
George Strawn, Ph.D.  
Emmett Vaughan, Ph.D.  
State Public Policy Group (staff)

## Meeting Schedule

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These public meetings were held in public places, and wherever possible, in places which are not ICN user sites. This was a conscious decision. These meetings were to be unbiased presentations of the information found in the 461 Task Force study. The presenters did not want to look as if they were promoting the network, or loading the meetings with users. The objective was to hold these meetings in neutral places easily accessible by the public.

<b>Monday, November 27</b>	6:00 - 8:00 pm	Coralville Public Library
<b>Tuesday, November 28</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Cedar Rapids Public Library Davenport Public Library
<b>Wednesday, November 29</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	County Courthouse, Burlington Ottumwa City Council Chambers
<b>Thursday, November 30</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Des Moines Main Public Library County Courthouse, Marshalltown
<b>Tuesday, December 5</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Five Flags Civic Center, Dubuque YWCA, Waterloo
<b>Wednesday, December 6</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Mason City Public Library The Hotel, Spencer
<b>Thursday, December 7</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Iron Horse Inn, Sheldon Sioux City Convention Center
<b>Wednesday, December 13</b>	11:30 am - 1:30 pm	County Courthouse, Fort Dodge
<b>Thursday, December 14</b>	11:30 am - 1:30 pm 6:00 - 8:00 pm	Senior Citizens Center, Council Bluffs Congregate Meal Site, Creston

## **What Does the Task Force & Resource Team Think About the Study?**

"We've put together the objective information and the rest of the decision-makers have the assignment to make judgments for the State."

*Joan Axel*  
*Chair, 461 Task Force*

"Our Task Force was given a mandate to study the alternatives to an outstanding example of initiative and innovation -- perhaps because the very success of the ICN has increased focus on its expense, anti-competitive aspects and inherent political unacceptability. We did just as we were asked, and then some. Our final report is the result of this research -- an effort which was usually inquisitorial, sometimes adversarial but always sincere -- and I personally believe that within its pages lies a solution."

*James D. Meyer*  
*Vice-President and Corporate Counsel*  
*Hy-Vee Food Stores*

"The 461 Task Force worked in an open and honest dialogue to create a comprehensive analysis of the Iowa Communications Network. All questions that we could think of were thoroughly analyzed in a participative fashion so that all views were represented. I can think of no other time that I have participated in an environment where competing interests were set aside to benefit the whole."

*General Warren Lawson*  
*Adjutant General, Iowa National Guard*

"The decision to create a task force to identify and analyze factors that need to be considered in the State's decision to sell or keep the ICN really made a lot of sense. Given the range of issues related to the sale of the ICN and the complexity of the issues, the 461 Task Force was an ideal mechanism for completing the process that must precede a final decision. Although the members of the Task Force represented diverse philosophies and held strong beliefs, differences in personal philosophy took a back seat to a sober and responsible effort. The final report of the Task Force now guarantees that the state's elected policymakers will have, in an organized form, all of the information they will need to make an informed decision."

*Emmett Vaughan, Ph.D.  
Dean, Continuing Education  
The University of Iowa*

"Serving on the 461 Task Force was an interesting challenge. The divergent views of the participants made reaching consensus difficult. However in all fairness, we were each afforded ample opportunity to state our individual views. The final report does point out the advantages and pitfalls of each of the options studied. We found there was no perfect solution to a very complex problem."

*Robert S. Halford -- President, Clear  
Lake Independent Telephone Company*

"Technology (ICN) will drive the greatest change in education delivery since the discovery of paper."

*Ben Norman  
Superintendent of Schools  
Ankeny Community School District*

"The 461 Task Force provided an excellent opportunity for the various entities to have a better understanding of each other's concerns regarding the ICN, plus it made everyone aware of the need for specific reports such as inventories, legal opinions, financials, etc. which until now had not been available."

*Judy Pletcher  
Rural Iowa Independent Telephone Association  
Rural Schools of Iowa, Inc.*

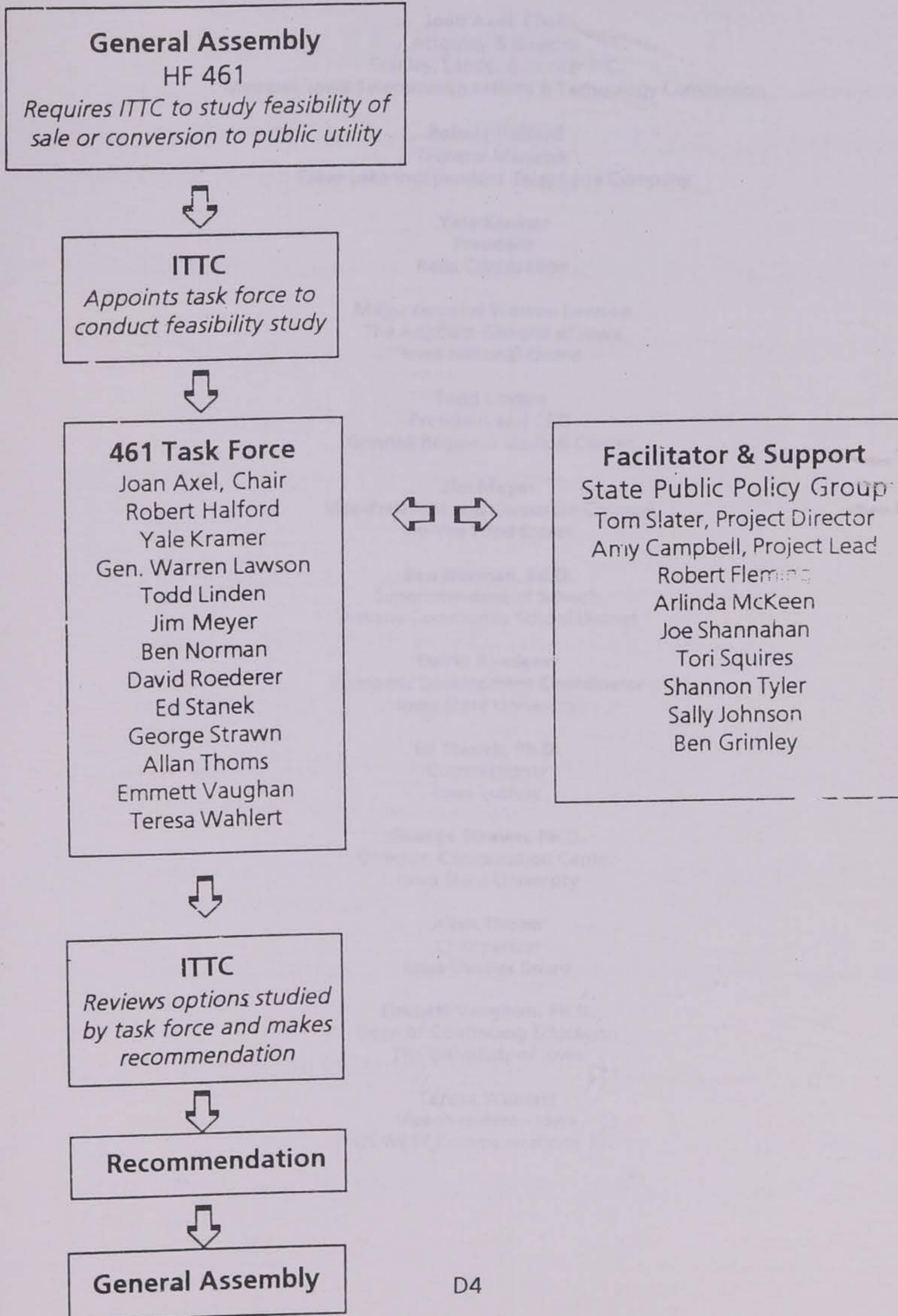
"The real issue concerning the fiber optic network is 'How do we balance the needs of the education community for superior service at below market costs with the legitimate business concerns of alternative supplies of similar services.'"

*Yale Kramer  
President  
Reiss Corporation*

"The 461 Task Force was comprised of a wide range of Iowa leaders who dedicated many hours to perform a professional analysis of the options available to the future of the ICN. The analysis, forwarded to the ITTC, deals with a complex industry that becomes even more complex when state ownership is introduced. As such, it represents the best interest of all Iowans."

*Teresa Wahlert  
Vice-President  
US WEST Communications, Inc*

# HF 461 Study Critical Path



## 461 Task Force

**Joan Axel, Chair**  
Attorney & Director  
Stanley, Lande, & Hunter P.C.  
Member, Iowa Telecommunications & Technology Commission

**Robert Halford**  
General Manager  
Clear Lake Independent Telephone Company

**Yale Kramer**  
President  
Reiss Corporation

**Major General Warren Lawson**  
The Adjutant General of Iowa  
Iowa National Guard

**Todd Linden**  
President and CEO  
Grinnell Regional Medical Center

**Jim Meyer**  
Vice-President and Corporate Counsel  
Hy-Vee Food Stores

**Ben Norman, Ed.D.**  
Superintendent of Schools  
Ankeny Community School District

**David Roederer**  
Economic Development Coordinator  
Iowa State University

**Ed Stanek, Ph.D.**  
Commissioner  
Iowa Lottery

**George Strawn, Ph.D.**  
Director, Computation Center  
Iowa State University

**Allan Thoms**  
Chairperson  
Iowa Utilities Board

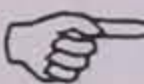
**Emmett Vaughan, Ph.D.**  
Dean of Continuing Education  
The University of Iowa


**Teresa Wahlert**  
Vice-President - Iowa  
US WEST Communications, Inc.




# House File 461

## Directive

 Directs the ITTC to study the feasibility of selling the network or converting it to a public utility.

 The Study should include the following considerations:

1. Effect of sale on the tax-exempt bonds
2. Impact on existing telecommunications providers
3. Ability to provide affordable access to network for public agencies, including Part III users not yet connected
4. Compliance with state laws
5. Use of public rights of way by potential buyers
6. Benefits to Iowa businesses and citizens
7. Provide long-term lease capacity sufficient to meet existing and future educational users
8. Review whether sale should be through RFP or auction, and review merits of both
9. Impact of FCC policy and regulations on full or partial sell of the network
10. Other issues as identified by ITTC.

 ITTC must submit the report, along with their recommendation, to the Legislature and Governor by November 1, 1995

## House File 461 Premise

All options studied, unless otherwise noted, must contain provisions which assure the following:

- ✓ Affordable access to authorized users
- ✓ The availability of a well-maintained fiber optic system, and delivery of a specified bandwidth
- ✓ Completion of Part III as specified by the Iowa Legislature

# 461 Update

461 Task Force • Iowa Communications Network Study • August, 1995

## Task Force Begins to Study ICN's Future

During the 1995 legislative session, Iowa lawmakers passed several critical pieces of legislation as they deliberated the future of the state-owned fiber optic network.

Legislators and the Governor accepted a \$95 million plan to connect 474 new sites - most of them high schools - to the Iowa Communications Network. All but 22 of those sites will be privately leased connections.

In addition, the Iowa General Assembly passed and the Governor signed House File 461, a bill which required the Iowa Telecommunica-

tions and Technology Commission (ITTC) to study the feasibility of two options -- selling the ICN to a private operator or converting the ICN into a public utility.

### Current Authorized Users



Education



Telemedicine



Federal Government



State Government

To comply with this legislation, the ITTC appointed a fourteen-member task force (see bios in article below) to review the issues involved in the study and assemble their findings in a useable format. The 461 Task Force will not make a recommendation on a course of action, but will provide the framework from which a policy decision can be made.

The study will be completed on October 13, 1995. The ITTC will make a recommendation based on the Task Force's report. The study report and the ITTC's recommendation must be submitted to the Governor and General Assembly by October 31, 1995. ■

## ★ Meet the 461 Task Force...

**Joan Axel**, Chair of the 461 Task Force, is Director and Partner in the Stanley, Lande & Hunter law firm based in Muscatine. Ms. Axel is a member of the Iowa Telecommunications and Technology Commission (ITTC) and is a Trustee and Executive Committee member of the Hoover Presidential Library Association. Ms. Axel has also served as Chair of the Iowa Lottery Board and as Executive Committee Member and Board Director of the Iowa State University Foundation.

**Robert Halford** is the General Manager of the Clear Lake Independent Telephone Company and has over 41 years of experience in the telecommunications industry. Mr. Halford is former President and currently a board member for OPASTCO (*Organization for the Protection and*

*Advancement of Small Telephone Companies*), a national organization representing small telephone companies serving rural areas. Mr. Halford was formerly President of the Iowa Telephone Association, is First Vice President of Iowa Network Services, and was named one of the top 150 telecommunications executives in the United States by *Telephony* magazine in 1991.

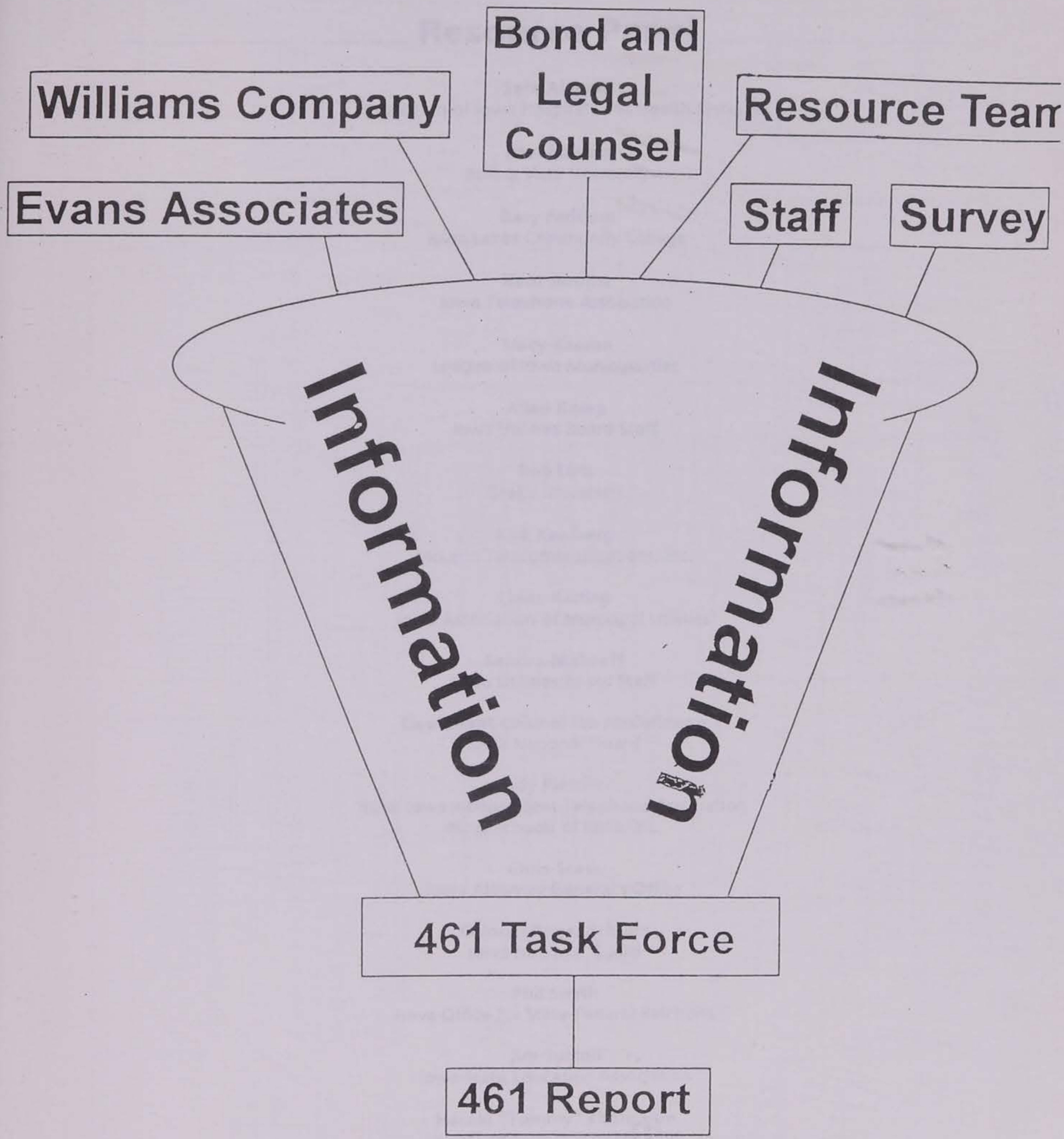
**Yale Kramer**, President and Founder of the Reiss Corporation, specializes in appraisals of closely held businesses, appraisals for federal gift and estate tax purposes, estate planning, employee stock ownership plans, tender offers, mergers and acquisitions, and dissolution litigation. Mr. Kramer has been involved in valuation matters in over 20 states and was appointed a Special

(Continued on Page 2)

### The 461 Task Force Premise

All options studied must assure the following:

- ★ Affordable access to currently authorized users
- ★ The availability of a well-maintained fiber optic system and delivery of a specified bandwidth
- ★ Completion of Part III as specified in legislation



## Resource Panel

**Sara Allgood**  
Association of Iowa Hospitals and Health Systems

**Paul Bowers**  
Buena Vista University

**Gary Feddern**  
Iowa Lakes Community College

**Kent Jerome**  
Iowa Telephone Association

**Tracy Kasson**  
League of Iowa Municipalities

**Allan Kniep**  
Iowa Utilities Board Staff

**Bob Lutz**  
Drake University

**Kirk Kaalberg**  
McLeod Telecommunications, Inc.

**Linda Kading**  
Iowa Association of Municipal Utilities

**Sandra Makeeff**  
Iowa Utilities Board Staff

**Lieutenant Colonel Jim McCullough**  
Iowa National Guard

**Judy Pletcher**  
Rural Iowa Independent Telephone Association  
Rural Schools of Iowa, Inc.

**Chris Scase**  
Iowa Attorney General's Office

**Colonel Roger Schultz**  
Iowa National Guard

**Phil Smith**  
Iowa Office for State-Federal Relations

**Jim Sutton**  
Iowa State Education Association

**Harold "Tommy" Thompson**  
Iowa Communications Network

**Dick Vohs**  
Iowa Network Services

**Craig Waskow**  
Triax Cablevision of Iowa

# Matrix -- Sale Options

ISSUES	Reference Materials	<b>OPTION 1</b> <i>Sale of Network</i> <i>(No Assurances)</i>	<b>OPTION 2</b> <i>Sale of Network</i> <i>(With Assurances)</i>	<b>OPTION 3</b> <i>Sale of</i> <i>Excess Network Capacity</i>
<p>Description of Options</p>		<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• Private Ownership/Operation</li> <li>• Sale of entire system, including fiber and hardware</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• No conditions are placed on the sale of the network.</li> <li>• Educational users, state and federal government, and telemedicine users <u>are not assured</u> affordable access to a well-maintained fiber optic system and a specified bandwidth.</li> <li>• Part III is <u>not completed</u>.</li> <li>• Assumes State will not continue its commitment to subsidizing authorized users.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• Sale of network <u>would</u> expand the user base.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• Private Ownership/Operation</li> <li>• Sale of entire system, including fiber and hardware</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by the Legislature.</li> <li>• Authorized use could be buyer subsidized or state subsidized, and access to capacity could be ensured by reserving rates, reserving capacity, using proceeds of sale to invest in cost of use, or purchasing capacity in the market at market rates.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• Sale of network <u>would</u> expand the user base.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership/Operation of current capacity</li> <li>• Private Ownership/Operation of excess capacity (sale of dark fiber)</li> <li>• State retains current level of control of hardware and capacity to support authorized users</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by the Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• Sale of excess capacity <u>would</u> expand the user base.</li> </ul>

# Matrix -- Public/Private Options

ISSUES	Reference Materials	<b>OPTION 4</b> <i>Private/Public Ownership</i>	<b>OPTION 5</b> <i>State Ownership Private Operations</i>	<b>OPTION 6</b> <i>State Ownership Private Management</i>
<p>Description of Options</p>		<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State and Private Ownership</li> <li>• Options include (<i>but are not limited to</i>): partnerships, associations, joint-stock companies, or corporation.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• This option <u>would</u> expand the user base.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Private Operations</li> <li>• State retains ownership of the network and leases to a private operator, who assumes the risk.</li> <li>• The operator pays the State to operate the network.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• This option <u>would</u> expand the user base.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Private Management</li> <li>• State retains ownership of the network and contracts for management duties.</li> <li>• The State pays a company to manage the network.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• This option <u>would not</u> expand the user base.</li> </ul>

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# Matrix -- State Options

ISSUES	Reference Materials	<b>OPTION 7</b> <i>State Lease to Private Companies (Not Restricted)</i>	<b>OPTION 8</b> <i>State Lease to Private Companies (Restricted)</i>	<b>OPTION 9</b> <i>State Ownership &amp; Operation (Limited)</i>	<b>OPTION 10</b> <i>State Owned Public Utility (No Limits)</i>
<p style="text-align: center;"><b>Description of Options</b></p>		<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Operation</li> <li>• Excess capacity is leased for private operation.</li> <li>• State could award licenses to private companies for the use of excess capacity.</li> <li>• Private lessee(s) would be responsible for their own connections to the network.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> </ul> <p>Part III <u>is completed</u> as outlined by the Legislature.</p>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Operation</li> <li>• Excess capacity is leased for private operation.</li> <li>• State could award licenses to private companies for the use of excess capacity.</li> <li>• Lease is only available in areas or markets where existing vendors are not capable or willing to provide the same service. Once this same service is available in an area, the ICN must stop providing the service in that area.</li> <li>• Private lessee(s) would be responsible for their own connections to the network.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Operation</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by the Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• This option <u>would not</u> expand the user base.</li> </ul>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>• State Ownership and Operation</li> <li>• ICN becomes a state-owned, state-operated public utility.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Educational users, state and federal government, and telemedicine users <u>will be assured</u> affordable access to a well-maintained fiber optic system and delivery of a specified bandwidth.</li> <li>• Part III <u>is completed</u> as outlined by the Legislature.</li> </ul> <p><b>User Base</b></p> <ul style="list-style-type: none"> <li>• This option <u>would</u> expand the user base.</li> </ul>





# Bonding Time Frame

**1995**

State must own & operate ICN until 1998

**1998**

State *can not* make changes to the ICN before 2002, unless it:

1. Escrows sufficient funds to pay off the bonds (*interest & principal*)

AND

2. Gets a private letter ruling from the IRS

**2002**

After 2002, bond restrictions are lifted and the State may pay off the bonds early.

**2005**

State scheduled to pay off bonds in 2005

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