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[SF 2385](#) – Sale of Iowa Communications Network (LSB5861SV)  
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Fiscal Note Version – New

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## Description

[Senate File 2385](#) relates to the sale of the Iowa Communications Network (ICN).

The Bill directs the Department of Management (DOM) to implement a solicitation process to conclude the sale of the ICN as soon as feasible. The DOM may use sole source bidding as an approach to contract for necessary vendor services to facilitate the sale. The terms of the sale of the ICN must require that existing contracted services of authorized users of the ICN continue for a period of at least 10 years. The Bill requires the DOM to submit periodic status reports to the Legislative Services Agency (LSA) at every three-month interval, beginning October 1, 2026, regarding progress made toward the sale of the ICN. The Bill requires the director of the DOM to submit, at least 10 days before the sale of the ICN, a report to the LSA outlining the proposed sale. The Bill requires the proceeds of the sale to be deposited into the General Fund. The section of the Bill authorizing the sale of the ICN takes effect upon enactment.

The Bill also strikes a provision prohibiting the ICN from providing or reselling communication services to entities other than public and private agencies, prohibiting public and private agencies from providing communications services of the ICN to another entity, and authorizing and regulating leases and agreements regarding the ICN with private and public agencies. This provision is effective July 1, 2027.

## Background

The ICN was created by the 1989 General Assembly as a Statewide, State-administered, fiber optics network. The ICN was built in three phases, beginning in 1991 with the completion of Phase III in 2003. Part I and II consisted of the installation of a State-owned fiber optic endpoint in each county, the three State universities, Iowa Public Television (IPTV) and each IPTV remote transmitter site, and the Capitol Complex. Part III added video sites using leased circuits from private telecommunications providers such as K-12 schools, hospitals, State agencies, and private and community colleges. The ICN maintains core network equipment and aggregation network equipment in approximately 170 public facilities with approximately 1,000 more locations with ICN equipment at end-user sites. The ICN has 3,400 miles of owned fiber and leased connections in all 99 counties.

Under Iowa Code section [8D.2\(4\)](#), a “private agency” is defined as an accredited nonpublic school, a nonprofit institution of higher education eligible for tuition grants, or hospital licensed pursuant to Iowa Code chapter [135B](#), or a physician clinic to the extent provided in Iowa Code section [8D.13\(13\)](#). A “public agency” is defined as a State agency, an institution under the control of the Board of Regents (BOR), the Judicial Branch as provided in Iowa Code section [8D.13\(14\)](#), a school corporation, a city library, a county library as provided in Iowa Code chapter [336](#), an agency of the federal government, or a United States post office which receives a federal grant for pilot and demonstration projects.

In FY 2025, there was \$17.9 million in reported revenue to the ICN across State government, which includes the Legislative Branch, Judicial Branch, and Executive Branch. Total revenue to the ICN from all users, including higher education, K-12 schools, area education agencies, libraries, hospitals, and others, in FY 2025 was \$31.3 million.

The Iowa Association of School Boards (IASB) reports not all school districts utilize ICN's services. Examples of services include the following:

- Internet and broadband connectivity, including building-to-building or redundant internet connection.
- Voice over Internet Protocol (VoIP) systems.
- Other E-rate eligible services.
- ICN video classrooms for dual credit enrollment with community colleges or advanced coursework, shared teacher classroom environments, or professional development.

The Department of Education (DE) receives an appropriation annually from the Infrastructure Appropriations Act of approximately \$2.7 million for the maintenance and leases of the Part III data circuits of the ICN. The DE applies to the E-rate program and uses the State appropriation as a match to qualify the State for Federal Communications Commission (FCC) funds of approximately \$2.0 million in E-rate funds.

#### **Assumptions**

- The ICN is currently permitted to provide services to the State and federal government, health care, education, and public safety users.
- It is unknown whether or not the solicitation process will result in the sale of the ICN.
- The estimated value of the sale of ICN assets cannot be estimated until a true market valuation is performed.
- There are two potential scenarios authorized under the Bill:
  - The sale of the ICN.
  - The expansion of the ICN to additional users with the elimination of Iowa Code section [8D.11\(2\)](#).
- If the ICN is sold, the timeline of such sale is unknown.
- If the ICN is sold, it is unknown how the sale may impact existing service agreements, contract terms, or pricing structures for users.
- E-rate reimbursements will remain unchanged.

#### **Fiscal Impact**

The fiscal impact of SF 2385 is unknown because there are several scenarios that may have a fiscal impact.

The fiscal impact of the sale of the ICN cannot be determined since the sale revenue of the ICN cannot be estimated until a true market valuation is performed.

The ICN estimates an increase of \$2.0 million to \$7.0 million in annual revenue if the ICN is not sold and is permitted to provide services to more users than currently serviced, beginning in FY 2028. This increase in revenue also includes the ability to sell excess capacity to the private sector in a wholesale capacity and to operate an open-access, middle-mile network.

**Sources**

Iowa Communications Network  
Judicial Branch  
Iowa Association of School Boards  
Department of Education  
Department of Administrative Services

*/s/ Jennifer Acton*

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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