
Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
November 5, 1992

Update On The Iowa Communications Network

ISSUE

Update on the progress and funding of the Iowa Communications Network (ICN).

AFFECTED AGENCIES

Department of General Services (DGS)

Iowa Public Television (IPTV)

CODE AUTHORITY

Chapter 18.132 & 18.137, Code of Iowa

BACKGROUND

The Legislature originally appropriated \$10.0 million a year for 5 years beginning in FY 1990 to the ICN. This was changed to \$5.0 million a year for 5 years beginning in FY 1992. The FY 1990 actual appropriation was \$2.1 million, the FY 1992 estimated appropriation was \$2.8 million, and the FY 1993 estimated net appropriation is \$5.0 million. There was no appropriation in FY 1991 for the ICN.

The Iowa Communications Network consists of Part 1, Part 2, and Part 3. Part 1 includes the STARC armory, Capitol Complex, IPTV, and the 3 State universities. Part 2 includes the remaining 84 county access points. Each county in the State will have at least 1 point of presence. Part 3 includes connecting Part 1 and Part 2 to State agencies, school corporations, city libraries, regional libraries, and county libraries. State matching funds will not be provided for Part 3 until Part 1 and Part 2 of the system has been completed.

CURRENT SITUATION

1. Progress to Date

- Approximately 1,250 miles of fiber optic cable are in the ground at the present time. The DGS expects to have 2,000 miles in the ground before winter. All of Parts 1 and 2 will be in except for the extreme northwest, northeast, and southeast corners of the State. Laying of the cable is expected to be completed (depending

on weather) by early to mid-summer of 1993. The contract requires completion by July 1994.

- Even though the cable has been laid, it still requires that electronics be installed at each endpoint (full completion expected by July 1994). The DGS does not have a schedule for completion of the electronics installation by individual site.
- The DGS will only begin testing the cable and electronics in an area after all of Part 2 sites connecting to a Part 1 (regional center) site are complete (e.g., they will only begin testing the Kirkwood cable after the Benton, Cedar, Iowa, Johnson, Jones, and Washington County sites are hooked up). The testing consists of a 15 to 30-day testing period where the network carries no traffic. The network will then begin carrying administrative phone traffic. After a period of time, the educational programming and distance learning will be carried on a schedule determined by IPTV. The DGS is to begin testing the Des Moines to Iowa City section of the network (the first section to be tested).

2. Funding

- The DGS issued \$96,030,000 in bonds to fund Parts 1 and 2 of the ICN. The last payment is scheduled to be July 1, 2006. The total gross interest paid over the life of the loan is \$56,670,353. The total gross service debt is \$152,700,353. The coupon rate varies from 5.2% to 6.5%. The cost for the ICN has increased since the bonds were issued with the DGS estimating an additional \$11.0 million need. The majority of the additional \$11.0 million is for alternative routing (approximately \$4.0 to \$4.5 million), a tandem switch for administrative communications (approximately \$3.3 million), and a video switch (approximately \$.6 million). Additional detail is to be available in December. The DGS has not determined how to fund the additional \$11.0 million. Costs for Part 3 have not been addressed.

3. Community College Issues

- The 20% portion of the 80/20 match required of the community colleges may be financed over the life of the project (up to 15 years), but they will be required to pay the incremental interest on the funds they use (i.e., the interest cost). The decision rests with the individual colleges whether to finance or pay up front. The total amount of community college match is approximately \$9.4 million. Community colleges are allowed to use funds expended on existing telecommunications systems as part of the 20% match which leaves a balance of \$6.1 million due. Depending on location, the charges are based on the costs of installing a particular area's cable and interest. See Attachment A for each merged area's match requirement.
- Community colleges are also responsible for audio and video equipment in the classroom. Estimated costs for a typical classroom will range from \$10,000 to \$30,000 depending on the type of equipment used.
- In a letter to the Governor dated October 11, 1991, Des Moines Area Community College (DMACC) stated they will be unable to pay the cost associated with the ICN (Attachment B). Due to DMACC's current financial status, which includes the loss of certain anticipated revenues from the State of Iowa and increased enrollment, all available monies are needed to fund existing educational programs, faculty and staff salaries, and to maintain physical facilities. Given the lack of available funding, DMACC cannot incur the debt obligations associated with the ICN. Correspondingly, DMACC cannot move forward with the program nor authorize construction unless funding mechanisms are in place to remove the projected deficits.

- In a resolution adopted by the Board of Trustees of Iowa Western Community College (IWCC), the Board recognizes the inability of IWCC to provide the funds required for the implementation of Part 1, Part 2, and Part 3 of the ICN (Attachment C). The Board further advises all parties concerned that any further installation of components of this network on its campuses or in any other facility in its area will be at the total expense risk of the State or its agents and IWCC will not assume any responsibility for payments. In a letter to the Governor dated August 25, 1992 (Attachment D), IWCC stated it has no ability to purchase the necessary classroom equipment to be installed at the end of the Part 1 with an estimated cost of \$30,000. Second, they have no means of paying the 20% share of the cost of Part 2 installation with an estimated cost of \$665,000. Third, there is no possibility for meeting the anticipated \$210,000 cost of equipping the Part 2 classrooms.
 - The DGS was asked to provide the impact of withdrawal or proposed withdrawal of IWCC and DMACC. The DGS responded that IWCC and DMACC have not technically withdrawn from the project (Attachment E). No estimate is available on the impact of a community college withdrawing from ICN.
4. County Participation
- Counties are prohibited from connecting to the network. A change to the Code of Iowa would be required to allow them access to the ICN. However, State agencies with satellite offices will be put on the network as soon as sections become operational. The DGS explained it is in their interest to get as many people on the network as soon as possible to start raising revenue. The DGS was unsure whether the Community Based Correction facilities are considered part of State government by the ICN language.
5. Transfer of ICN Fund to the Treasurer
- The Department of Management has placed the ICN Fund in the Treasurer's Office. This eliminates the necessity of appropriation transfers between IPTV and the DGS for the payment of funds.
6. Coordinating Committee
- The Governor created a coordinating committee to assist the various entities in completing the ICN. Ted Chapler, Iowa Finance Authority, has been named chair of this committee. The committee also includes Edward Stanek, Telecommunications and Information Management Counsel (TIM Counsel), and Paul Carlson, Department of Management.

BUDGET IMPACT

The annual \$5.0 million appropriation may need to be extended beyond FY 1996 to FY 2007 since the last bond payment is scheduled to be July 1, 2006. The annual appropriation may need to be adjusted due to actual revenues being above or below estimated revenues, the additional \$11.0 million cost, and other unexpected cost.

STAFF CONTACTS: Jon Studer (Ext. 16256) and Larry Sigel (Ext. 16764)

Community College Match Requirements

| <u>Merged Area and Location</u> | <u>20% Match</u> | <u>Anticipated Cash Match</u> |
|---------------------------------|----------------------------|-----------------------------------|
| Area 1 - Calmar | \$ 1,079,737 | \$ 1,079,737 |
| Area 2 - Mason City | 423,039 | 423,039 |
| Area 3 - Estherville | 369,861 | 0 |
| Area 4 - Sheldon | 197,701 | 197,701 |
| Area 5 - Fort Dodge | 924,795 | 0 |
| Area 6 - Marshalltown | 336,906 | 336,906 |
| Area 7 - Waterloo | 400,666 | 0 |
| Area 9 - Bettendorf | 394,266 | 0 |
| Area 10 - Cedar Rapids | 812,302 | 0 |
| Area 11 - Ankeny | 1,033,780 | 1,033,780 |
| Area 12 - Sioux City | 565,495 | 565,495 |
| Area 13 - Council Bluffs | 665,322 | 504,774 |
| Area 14 - Creston | 617,653 | 376,831 |
| Area 15 - Ottumwa | 1,099,861 | 1,099,861 |
| Area 16 - West Burlington | 465,349 | 465,349 |
| Total | <u>\$ 9,386,733</u> | <u>\$ 6,083,473</u> |

Notes:

Information provided by Iowa Public Television and Department of General Services.

The 20% match is for Part II of the State Communications Network as provided in Section 18.136, Code of Iowa.

The anticipated cash match is the community college cash balance. Community colleges are allowed to use funds expended on existing telecommunication systems as part of the 20% match.

Office of the President

October 11, 1991

The Honorable Terry E. Branstad
Governor of Iowa
State Capitol
Des Moines, IA 50319

RE: Fiber Optic Telecommunications Network

Dear Governor Branstad:

As you know, during the past several years, the Iowa General Assembly has passed, and you have signed, legislation to establish a state-wide telecommunications system. In their legislative programs, the community colleges of Iowa supported the concept of the state-wide network, assuming that funding would be provided by the state for the construction and operation of such a network. During legislative debate, there were numerous discussions and considerations: 1) Should the system be public or private? 2) What form of technology would be most appropriate? - Compressed video? Fiber optic cable? Microwave transmission? 3) What is the purpose? 4) Who should manage the system?

Following political debate about these and other matters, the legislature passed Senate File 162 and Senate File 333, and enacted Sections 18.134 through 18.136 and 303.77 through 303.79, Code of Iowa (1991), thus creating and authorizing a state-wide telecommunications system. The Iowa Public Broadcasting Board was created to plan, establish, and operate educational telecommunications services, and to design a plan for delivery of those services across the state. The Iowa Public Broadcasting Board has determined that a fiber optics communication network should be purchased and installed to accomplish this purpose. Des Moines Area Community College has been informed by Iowa Public Television that construction of the proposed fiber optic telecommunications network should begin. Des Moines Area Community College will be obligated, even under the estimates of Iowa Public Television, to expend \$100,000 to \$200,000 for classroom equipment, and \$1,122,512 for construction of the fiber optic network. Additionally, Des Moines Area Community College will be required to fund the staffing needs and maintenance costs associated with classrooms and control equipment. These figures are not final, and have not been verified. Attached is a letter dated June 10, 1991, from Linda S. Schatz, the Director of Narrowcast Telecommunications at Iowa Public Television.

We understood that Des Moines Area Community College area was scheduled to be hooked to the system two to three years from now. After Des Moines Area Community College was notified of a change in plans to begin the network in Area XI, we began an in-depth review of our legal and financial responsibilities.

Des Moines Area Community College
2006 South Ankeny Boulevard
Ankeny, Iowa 50021
515-964-67

This review was not intended to revisit any of these previous debates or consider the merits of the Public Policy that are currently in the Iowa Code. The purpose of the review is to look specifically at Des Moines Area Community College's responsibilities and financing for the system as it relates to the eleven counties making up Area XI.

We prepared a Pro Forma Telecommunications Network Statement of Operations for Area XI, starting in FY 1992 and projected to FY 1996. As part of this analysis, we looked at all known sources of income and expenses related to educational offerings, support and maintenance expenses, and capital expenditures to bring the system into operation consistent with what we understand to be the Public Policy direction of the Iowa General Assembly. The original Pro Forma Statement of Operations (Exhibit 1) is attached. These materials were reviewed with staff from Iowa Public Television and the General Services Administration, both of which have legal responsibility for development and oversight of the state-wide system. Following their review we incorporated all of their recommendations for changes and produced Exhibit 2, a revised Pro Forma Funding Estimate. Under the revised Pro Forma Estimate there is a net loss of \$417,371, in FY 1992 and \$1,152,908 in FY 1996.

As a community college organized and existing under the authority of Chapter 280A, Code of Iowa (1991), Des Moines Area Community College is charged with the obligation of establishing curriculum and delivering educational services to persons within the Central Iowa area encompassed by Area XI boundaries. The faculty, administrative and support staff, and elected members of the Board of Directors have worked diligently to create curriculum offerings and programs to achieve the educational objectives of the institution and of the State. However, the current financial status of both the State of Iowa, which provides substantial funding to Des Moines Area Community College, and the college itself, now threatens these objectives. For the 1991-1992 academic year, the State of Iowa has announced a cutback in anticipated funding for educational programs at Des Moines Area Community College and other public schools of 3.25 percent of previously expected funding levels. This cutback, combined with the ever increasing cost of goods and services, has resulted in the discharge of Des Moines Area Community College staff. In addition, the College's Fall credit enrollment increased by 487 students.

A review of Des Moines Area Community College's current financial status indicates no funds are currently available to pay for the proposed obligation of the installation, operation, and maintenance of the fiber optics telecommunications system. Little guidance has been received from the State or governmental officials concerning the sources of funding which will be available to the State or to Des Moines Area Community College to pay for any legal obligations incurred in the purchase of materials and services associated with the fiber optics telecommunications network.

The reduction in funds allocated to other aspects of the educational programs at Des Moines Area Community College, to the extent necessary to fund even preliminary estimates for the cost of the fiber optics telecommunications

Governor Branstad
Page 3
October 11, 1991

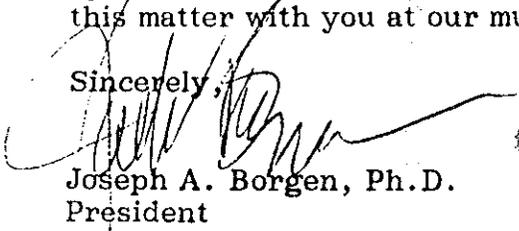
network, will substantially and adversely impact the educational mission of Des Moines Area Community College. A high percentage of Des Moines Area Community College graduates remain in Iowa, particularly in the Central Iowa area, providing the skilled work force necessary for economic stability and growth in Iowa. Des Moines Area Community College also provides a valuable source of continuing education and retraining for students who are currently in the work force or in the process of changing vocations or professions. These are educational services which we cannot afford to curtail, while fulfilling our community college mission. These valuable educational programs, providing in-class teaching and on-the-job training, will, unfortunately, feel the impact of further budget cuts.

Please be advised that Des Moines Area Community College will be financially unable to pay the costs associated with the procurement, installation, maintenance, and operation of the fiber optic telecommunications network authorized by Sections 18.134-136 and 303.77-79, Code of Iowa (1991). Due to Des Moines Area Community College's current financial status, which includes the loss of certain anticipated revenues from the State of Iowa and increased enrollment, all available monies are needed to fund existing educational programs, faculty and staff salaries, and to maintain physical facilities.

Given the lack of available funding, Des Moines Area Community College cannot incur the debt obligations associated with the fiber optic telecommunications network. Correspondingly, Des Moines Area Community College cannot move forward with the program nor authorize construction unless funding mechanisms are in place to remove the projected deficits.

While Des Moines Area Community College stands willing to move forward in the educational field and comply with the laws and goals of the State of Iowa, it is apparent that the College cannot, in good faith, represent that it has the current ability to pay the projected costs of the fiber optic telecommunications system set for installation. I invite your comments and stand willing to discuss this matter with you at our mutual convenience.

Sincerely,



Joseph A. Borgen, Ph.D.
President

TELECOMM.LTR

JAB:gp

Enclosure

cc: Michael Fitzgerald
Bill Hutchins
Jack Rife
Robert C. Arnould
Wayne H. McKinney, Jr.
Harold G. Van Maanen

Des Moines Area Community College
Explanation of Schedule Changes
Pro Forma Network Statement of Operations

- (1) Use fees for County sites within Phase II, Phase III and third parties have been reduced from \$20 to \$5 per narrowcast system hour.
- (2) State maintenance has been reduced to reflect changes in the previous assumptions. The fee reflects a fee of \$5 per narrowcast system hour x 10 hours per day x 6 days x 11 Phase II sites.
- (3) Materials, supplies, and travel and Depreciation have changed. The amounts calculated for these items are proportionately related to equipment purchases.
- (4) Interest Expense and Capital expenditures for the backbone have been reduced to reflect a change in the amount attributed to DMACC's 20%.
- (5) Capital expenditures have been changed to reflect a reduction in classroom costs from \$50,000 to \$30,000 each.

Des Moines Area Community College
 Revised Pro Forma Telecommunications Network Statement of Operations
 Area 11

Exhibit 2
 10-11-91

| | FY 1992 | FY 1993 | FY 1994 | FY 1995 | FY 1996 |
|---------------------------------------|------------------|------------------|------------------|--------------------|--------------------|
| I. Income | | | | | |
| A. State Aid | 0 | 0 | 0 | 20,417 | 50,000 |
| B. Tuition | | | | | |
| 1. Credit (35.00) | 0 | 52,500 | 73,500 | 94,500 | 136,500 |
| 2. Non-credit | 0 | 3,900 | 7,800 | 11,700 | 15,600 |
| 3. Fees (3.50) | 0 | 5,250 | 7,350 | 9,450 | 13,650 |
| 4. County/PartIII Use Fee (1) | 200 | 49,400 | 71,400 | 93,400 | 133,400 |
| C. Third party system sales | | | | | |
| 1. Use fees (1) | 0 | 400 | 500 | 600 | 700 |
| Total Revenue | 200 | 111,450 | 160,550 | 230,067 | 349,850 |
| D. Educational Expense | | | | | |
| 1. Faculty | 0 | 120,000 | 180,000 | 240,000 | 340,000 |
| 2. Fringe | 0 | 30,000 | 45,000 | 60,000 | 85,000 |
| Total | 0 | 150,000 | 225,000 | 300,000 | 425,000 |
| E. Support Expense | | | | | |
| 1. State maintenance (2) | 59,400 | 118,800 | 118,800 | 118,800 | 118,800 |
| 2. Technician | 17,500 | 70,000 | 70,000 | 105,000 | 105,000 |
| 3. Coordinator | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 4. Secretarial | 7,000 | 28,000 | 28,000 | 28,000 | 28,000 |
| 5. Fringe | 18,625 | 37,000 | 37,000 | 45,750 | 45,750 |
| 6. Staff devel - technical | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| 7. Staff devel - faculty | 20,000 | 10,000 | 10,000 | 5,000 | 5,000 |
| 8. Mat, Supply, Travel | 8,500 | 47,000 | 66,500 | 86,000 | 105,500 |
| 9. Courseware | 20,000 | 20,000 | 20,000 | 10,000 | 10,000 |
| 10. Interest expense - 20% Bac | 0 | 0 | 0 | 66,537 | 63,889 |
| 11. Depreciation (3) | 12,143 | 67,143 | 95,000 | 122,857 | 150,714 |
| Total Support | 217,168 | 451,943 | 499,300 | 641,944 | 686,653 |
| F. Admin overhead (14%) | 30,404 | 84,272 | 101,402 | 131,872 | 155,631 |
| Total Operating Expense | 247,571 | 686,215 | 825,702 | 1,073,816 | 1,267,285 |
| G. Capital expense (4) | | | | | |
| 1. Backbone 20% - Principal | 0 | 0 | 0 | 37,826 | 40,473 |
| 2. DMACC - Ankeny | 80,000 | 0 | 45,000 | 45,000 | 45,000 |
| 3. Newton | 30,000 | | | | |
| 4. Ames | 30,000 | | | | |
| 5. Adel | 30,000 | | | | |
| 6. Seven other sites | | 210,000 | | | |
| 7. Phase III Sites | | 90,000 | 150,000 | 150,000 | 150,000 |
| Total Capital Expense | 170,000 | 300,000 | 195,000 | 232,826 | 235,473 |
| Total Operating and Capital Ex | 417,571 | 986,215 | 1,020,702 | 1,306,642 | 1,502,758 |
| Net Gain(Loss) | (417,371) | (874,765) | (860,152) | (1,076,576) | (1,152,908) |

STATEWIDE TELECOMMUNICATION NETWORK

1. What will the state maintenance and usage charges be for the Network?
 - * Not yet determined
 - * \$5 calculated for financing purposes only
2. How will the Phase II expenses be calculated for the community colleges' 20% match?
 - * Based on expenses incurred in individual community college areas.
 - * Only DMACC's 20% match calculated currently
3. What will be allowable for the individual college 20% match? What will be the cost basis?
 - * Previously decided by IPTV to exclude Iowa Lakes, Kirkwood, Iowa Central, and Hawkeye Tech.
 - * Depreciation was not considered
4. Who pays the real dollar cost of the credits to be passed back to those colleges eligible (for 20% credits)?
 - * Uncertain
 - * State may pay only 80%
 - * State may pay for the matching credits
 - * The financing calculations have already excluded certain colleges with existing distribution systems.
5. What will be the equipment and/or classroom specification requirements for GSA and/or IPTV?
 - * Narrowcast Committee specifications will be announced after October 18 meeting
6. What will the specific conditions be for assessing user fees to a third party and Phase III sites?
 - * Narrowcast Committee will recommend a consistent fee to IPTV for third party users
 - * No consideration made for Phase III users

Statewide Telecommunication Network

Page 2

7. What are expected revenue sources?
 - * Educational credit/noncredit courses
 - * Economic development
8. Will there need to be staff at Phase II and Phase III sites? If so, what kinds of backgrounds will they need and how many?
 - * Staff must be available, but do not have to be located on the site
 - * Background is dependent on job responsibilities
9. Will each school (K through 12) be required to participate in Phase III?
 - * K-12's can annually opt to participate
10. Is two-way audio and video (send/receive) capability required at every site?
 - * Phase II - 2 way audio and video required
 - * Phase III - 2 way audio and 1 way video required

**Iowa Public
Television** 

June 10, 1991

Dr. Joe Borgen, President
Des Moines Area Community College
Building 20
2006 South Ankeny Blvd.
Ankeny, IA 50021

Dear Dr. Borgen:

Thank you for meeting with me Wednesday regarding the statewide telecommunications project. This letter will serve to summarize our discussion.

On Friday, May 31, Governor Branstad line-item vetoed the deauthorization of funds for FY 1992 which had been passed by both the House and Senate, thereby allowing the project to move forward. The 1989 general assembly had authorized funding for the project at \$50 million dollars--\$10 million dollars a year for five years; the 1990 general assembly, because of year-end budget constraints, changed the funding level to \$30 million dollars--\$ 5 million dollars a year for six years through FY 1996. The governor's veto restored the funding for FY 1992, but the level was cut to \$ 3 million dollars.

The contract with the low bidder, Kiewit Network Technologies, Inc., was signed on April 15, 1991. With funding approved, the project is now ready to move forward.

As we discussed, because of the routing and fiber deployment schedule designed by Kiewit, the DMACC campus will be one of the first areas where fiber will be trenched. In addition, Adel and Newton will also be two of the first county sites. In order to facilitate the trenching, there are several items of information which we need to obtain. Those include the location at the sites for the telecommunications classrooms and equipment rooms where the fiber optic terminal equipment will be placed, heating and cooling requirements, the location of utilities corridors, etc. We will be sending a site visit team to review these items with the person which you designate as project contact. Immediately following the site team visit, personnel from Kiewit will also visit the sites as they prepare to begin trenching the fiber and making arrangements for equipment installation.

P.O. Box 6450 • 6450 Corporate Drive Johnston, Iowa 50131 • 515-242-3100

11 Des Moines 12 Iowa City 21 Fort Dodge 24 Mason City 27 Sioux City 32 Waterloo 33 Council Bluffs 36 Red Oak

Dr. Borgen
June 10, 1991
Page 2

The appropriation legislation, as you may recall, called for the state to fund Part I of the network 100%. This includes the connections to the 15 regional centers at the community colleges, the 3 regent institutions, Iowa Public Television, Camp Dodge and the Lucas state office building. For Part II of the network, the connections to the remaining 84 counties, the legislation calls for the state to fund 80% to be matched by 20% from the merged area schools. For Part III, the connections from the county points-of-presence to the areas surrounding each point, the legislation calls for the state to fund 80% to be matched by 20% from the local schools which may be met through a cooperative arrangement with the merged area schools.

The costs for classroom equipment i.e. cameras, microphones, TV monitors, etc. will be the responsibility of the local area. In addition, a master control facility would be required at the DMACC campus for Area 11. Costs for master control typically range from \$100,000 -- \$200,000. The community college operational requirements for the regional system will include staffing needs as well as maintenance costs associated with the classroom and master control equipment.

The cost information we have for the Part II connections was based on the generic locations of county seat towns rather than the specific county sites subsequently identified by DMACC. Those preliminary costs for Merged Area 11 totaled \$5,612,559. Twenty percent would be \$1,122,512. Costs based on the actual sites have been requested and we will forward that information to you as soon as it is available.

We look forward to working with you and the staff at DMACC as the state moves forward with this exciting project.

Sincerely,



Linda S. Schatz
Director, Narrowcast Telecommunications

ATTACHMENT C

Iowa Western Community College

2700 College Road
Council Bluffs, IA 51502

**Resolution Concerning
the Participation of
Iowa Western Community College
in the
Iowa Communications Network**

In Regular Session, Tuesday, August 25, 1992

Whereas the Board of Trustees of Iowa Western Community College has taken action on November 18, 1991, in support of the resolutions of the Iowa Association of Community Colleges, dated November 8, 1991, with regard to the conditions under which the community colleges of Iowa would continue in their enthusiastic support of the Iowa Communications Network, and

Whereas there has been no significant indication that any relief in the funding of the community colleges or, specifically, of Iowa Western Community College has been implemented, or developed, or even proposed by the Governor of the State of Iowa, or by the State Legislature, and

Whereas Iowa Western Community College continues to face serious funding constrictions due to the inability or unwillingness of the state government to properly fund its commitments and responsibilities to the support of Iowa's community colleges, and

Whereas there continues to be pressure put upon Iowa Western Community College to support and participate in the implementation of the Iowa Communications Network,

Be it therefore resolved by the Board of Trustees of Iowa Western Community College that

1. this Board recognizes the inability of IWCC to provide such funds as are currently known to be required for the implementation of Part One, Part Two, or Part Three of the Iowa Communications Network, and
2. this Board further advises all parties concerned with the development of the Iowa Communications Network that any further installation of the cabling or other components of this network on the campuses of Iowa Western Community College, or in any other facilities in the area for which IWCC is responsible will be at the total expense risk of the state government and/or its agents, and
3. that Iowa Western Community College cannot, and therefore will not assume any responsibility for payments for which it clearly has no adequate source of funding.

The Board believes that it is tragic that the State of Iowa may be installing a cable and some telecommunications transceiving equipment at the ends of this cable which will have no real meaningful means of utility to the educational systems and their constituents at the ends of this installed cable. Without the classrooms and the equipment within the classrooms, the promise and the potential of this network cannot be realized and the tremendous expense of its installation may well be wasted. Such a development is unfortunate particularly in a period of such stringent state and local financial capacity.

ATTACHMENT D



Council Bluffs Campus
2700 College Rd., Box 4-C
Council Bluffs, IA 51502
(712) 325-3200
Iowa toll free
1-800-432-5852

August 25, 1992

Honorable Terry E. Branstad
Office of the Governor
State Capitol
Des Moines, IA 50319

Dear Governor Branstad:

For several years, the state of Iowa has been involved in many stages of development and the beginnings of implementation of the proposed Iowa Communications Network. The development of this modern, high-tech fiber-optic telecommunications adventure has been an exciting opportunity for Iowa to keep stepping ahead as an education and technology leader in the Heartland. Iowa Western Community College, together with all of Iowa's Community Colleges, has been honored to have been included in the development of these plans and has eagerly anticipated the implementation of this tremendous asset to our collection of educational delivery systems.

Throughout the dreaming and planning stages of this great system, the community colleges were planned as the direct link between the backbone of the network and the various communities throughout our state. The system was designed and sold as an educational network which would start with the cooperative development of programming with the Iowa State Department of Education, the community colleges and the regents institutions. This cooperative venture would be adapted through a primary fiber optic backbone connecting these several institutions. Secondly, an additional cabling system would branch out, in typical network fashion, to education sites chosen by the community colleges and located in each one of the several counties of their areas. Ultimately, as planning and capabilities are developed and enhanced, the network would be extended to place terminus interactive capabilities in each of the over 300 school districts throughout our state. Such a dream is almost too good to become true!

Throughout the dreaming and planning of this great system, the community colleges participated with enthusiasm, eager to be an active partner in this great venture. Always aware of our funding concerns, we were often assured that appropriate funding support would be made available as potential costs to the community colleges would become imminent. As the legislation and the specific plans were unfolded, we were all aware that there would be some cost sharing arrangements between the state and the community colleges and that there would be some significant technology and hardware costs at the ends of the network terminals in each of the community colleges and their selected distribution sites. Whenever the costs for these planned installations were discussed, we were continuously advised that funding would not be a problem.

Harrison County Center
410 Walker
Woodbine, IA 51579
(712) 647-3044

Clarinda Campus
923 E. Washington
Clarinda, IA 51632
(712) 542-5117

Harlan Center
2712 12th Street
Harlan, IA 51537
(712) 755-3568

Atlantic Center
906 Sunnyside Lane
Atlantic IA 50022
(712) 243-5527

Shenandoah Center
1209 Elm Avenue
Shenandoah, IA 51601
(712) 246-1499

**Iowa Western Community College
Honorable Terry E. Branstad; August 25, 1992**

Another consideration which must be recognized is that as the community colleges were participating in the planning and development of the Iowa telecommunications network, we were assured that the state funding formula would be reasonably intact and safeguarded. In fact, had that formula been fully funded, especially in our current fiscal period, we would even now be able to meet some of the obligatory costs associated with our direct participation in the implementation of the network. Unfortunately, the funding formula has been decimated by both legislative and executive actions during the past couple of fiscal periods. Not only have the colleges never seen the promised funding for our shares of the network's development, the regular funding systems upon which we had been led to rely have also been drastically reduced.

Well, Part One is nearly complete. Cabling is in the ground in many of the areas and terminal equipment is finding its way into the buildings of our campuses. Iowa Western Community College found itself as one of the first primary Part One installations. There have been problems and controversies, as there are with any new system, but the efficiency of the planners and the installers has been exemplary. Fortunately, the costs of Part One, in accordance with statute, are entirely borne by the State of Iowa. Now that some of the installation controversies are settled, IWCC is happy to provide its complementary compliance with its partnership responsibilities in this venture -- to a point.

As you may know, as the educational telecommunications network became a reality, we community college officials discovered, to our great surprise, that this system was to also become a telephone network for the state government, an emergency security telecommunications system for the state, and perhaps some other beside-education utilities which were never indicated to us during the planning process. There was tremendous controversy when we were instructed to make space available for an unreasonably large propane tank and generator system just outside the walls of our main campus building. The environmental dangers, let alone the ugly presence of such a trauma-inspired contraption, were clearly not part of the bargain we bought with our participation in the planning process. It was not until the IPTV and other state officials finally agreed to have the propane tank installed underground that IWCC agreed to continue with the installation.

There are still several significant problems, however, and we must advise you of their potential devastating impact.

First, IWCC has no ability to purchase the necessary equipment to be installed within the classroom required at the end of the Part One backbone

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installation which is being developed with 100% state funding. We have complied with the requirements that space be made available for the communications equipment provided as part of the Part One product, and we have provided the required classroom space. Unfortunately, there will be no funds available to support the anticipated \$30,000 cost of the audio-video equipment required to enable the management and use of the signals which may be sent through the network. We will be able to see and test the signal, should one be sent, but there will be no way for anyone to use the signal or to return anything useful back into the network.

Second, even though we are providing recommended sites for the Part Two installations in each of our area counties, we have no means of paying our 20% share of the cost of this Part Two installation. This cost is estimated to exceed \$665,000, an amount clearly outside the realm of our already limited operating funds, thrice diminished by state action in FY92, further limited in FY93 by legislative action, and then further threatened with additional decimation by argumentative interpretations by the State Director of the Office of Management and Budget.

Third, even if there were some miracle which would permit us to meet the 20% matching requirement, there is no known possibility for meeting the anticipated \$210,000 cost of equipping the seven Part Two classrooms: \$30,000 per classroom at each end of the Part Two network in the seven counties of our area.

Iowa Western Community College, together with all of the other community colleges of Iowa, clearly advised the governor, and others connected with the development of the Iowa Communications Network, that we enthusiastically supported the development of this exciting proposed telecommunications network for Iowa AS LONG AS adequate funding was provided for the community colleges to meet any obligations which our participation would require. Relying on the promises we were given throughout the development of the system, we called upon the governor to lead the way and assist in the provision of these necessary funds. Failing the adequacy of funding, we would be unable to continue with our direct participation.

No funding has yet been made available for this development. Instead, we are not even funded to the extent promised and required by the funding formula developed for the state's support of its fine system of comprehensive community colleges. Had the formula been funded properly, we could have made some adjustments to include a recognition of the project. But not only has the formula been devastated, we have suffered cutbacks after cutbacks; we have had to adapt by limiting our ability to meet the continuously increasing program and enrollment

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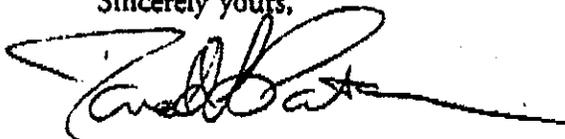
demands placed upon us by eager constituents of all ages and abilities. We have laid-off administrators, support staff, and faculty. We cannot absorb the tremendous costs of this new telecommunications system when we cannot even adequately meet the demands of the educational systems we already have in place.

On November 8, 1991, the Iowa Association of Community College Trustees (IACCT) adopted a resolution which advised all concerned parties that the Iowa community colleges enthusiastically supported the proposed telecommunications network but only to the extent that funding issues were properly addressed. On November 18, 1991, the Board of Trustees of IWCC adopted that resolution in its entirety. We all hoped that those actions would stimulate appropriate funding activity in the Governor's budget as well as in various funding considerations of the Iowa legislature. The record shows clearly insufficient, if not oppositional activity.

We must therefore advise you that the Board of Trustees of Iowa Western Community College has adopted a resolution (August 25, 1992) which recognizes the inability of IWCC to provide such funds as are currently known to be required for the implementation of Part One, Part Two, or Part Three of the Iowa Communications Network. The Board further advises all parties concerned that any further installation of components of this network on its campuses or in any other facilities in its area will be at the total expense risk of the state government or its agents, and that IWCC cannot, and therefore will not assume any responsibility for payments for which it clearly has no adequate source of funding.

The Board believes that it is tragic that the State of Iowa may be installing a cable and some telecommunications equipment at the ends of this cable which will have no real meaningful means of utility to the educational systems and their constituents at the ends of the installed cable. Without the classrooms and the equipment within the classrooms, the promise and the potential of this network cannot be realized and the tremendous expense of its installation may well be wasted. Such a development is unfortunate particularly in a period of such stringent state and local financial capacity.

Sincerely yours,



Donald L. Porter
Secretary/Treasurer - Board of Trustees
Vice President - Management Services



TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF GENERAL SERVICES
GERALD R. ANDERSON, DIRECTOR

M E M O R A N D U M

TO: Larry Sigel
Legislative Fiscal Bureau

FROM: Kathy Williams *KW*
Communications Division

DATE: October 9, 1992

RE: ICN Community College Participation

RECEIVED
OCT 16 1992
LEGISLATIVE
FISCAL BUREAU

This is in response to your questions sent as a result of an article in the Des Moines Register regarding the participation of Iowa Western Community College (IWCC). The information contained in the responses below has been developed in coordination with IPTV.

1. What impact will the withdrawal (or proposed withdrawal) of IWCC have on the time of completion of the ICN or the coverage and services provided? Also provide the combined impact of the withdrawal of Des Moines Area Community College (DMACC) and IWCC.

The article in the newspaper did not make clear that neither community college has withdrawn from participation in the ICN.

2. The impact of withdrawal of either IWCC or DMACC on Part 3 of the ICN?

Part III of the ICN has not yet been addressed as per the legislation.

3. How will the withdrawal of IWCC affect the project's cash flow? Also provide the combined impact of DMACC and IWCC on the project's cash flow.

IWCC and DMACC have not withdrawn from the project.

4. How will the withdrawal of IWCC affect the need for the ongoing appropriation (the \$5 million appropriation listed in the financial statements beyond the standing appropriation which ends in 1996). In other words, will the

withdrawal require further appropriations from the General Assembly beyond those currently projected? Also provide the combined impact of DMACC and IWCC on the need for further appropriations.

IWCC and DMACC have not withdrawn from the project.

5. A breakdown of the match costs for each community college. Include both the total cost (as if there was no soft match) and the portion which is being matched by existing equipment.

The 20% match portion of the ICN construction cost for the community colleges is for each of their merged areas. Please find attached the cost breakdowns developed last year.

6. Any other impacts which you feel would be of interest to the members of the General Assembly.

Progress on the construction of the Iowa Communications Network is proceeding on schedule.

cc: Dennis Prouty, LFB
Bill Haigh, Senate Democratic Research Staff
Linda Schatz, IPTV
Ted Chapler, Iowa Finance Authority
Gerald Anderson, General Services

| Merged Area-- Location | 20% \$ per Dept. of Gen. Svcs. | Anticipated Cash Match |
|---------------------------|--------------------------------------|---------------------------|
| Area 1--Calmar | \$ 1,079,737 | \$ 1,079,737 |
| Area 2--Mason City | 423,039 | 423,039 |
| Area 3--Estherville | 369,861 | --- |
| Area 4--Sheldon | 197,701 | 197,701 |
| Area 5--Fort Dodge | 924,795 | --- |
| Area 6--Marshalltown | 336,906 | 336,906 |
| Area 7--Waterloo | 400,666 | --- |
| Area 9--Bettendorf | 394,266 | --- |
| Area 10--Cedar Rapids | 812,302 | --- |
| Area 11--Ankeny | 1,033,780 | 1,033,780 |
| Area 12--Sioux City | 565,495 | 565,495 |
| Area 13--Council Bluffs | 665,322 | 504,774 |
| Area 14--Creston | 617,653 | 376,831 |
| Area 15--Ottumwa | 1,099,861 | 1,099,861 |
| Area 16--West Burlington | 465,349 | 465,349 |
| 20% match | | 6,083,473 |