



THE REAL VALUE of THE ICN

ICN Vision: Represent the public network investment while partnered with the private sector to benefit the citizens of Iowa.

1) ICN is a state-of-the-art fiber optic communications network delivering services

- a) 40 Gigabit Backbone Network featuring state-of-the-art Ethernet technology for data transport.
 - Ethernet is lauded by the telecommunications industry as the leading edge data transmission technology.
 - Only network in Iowa and one of the few nationally to provide native Ethernet services with these capabilities.
 - Federal Grant to fund over 1,000 new or enhanced Ethernet connections to Community Anchor Institutions.
- b) ICN's Ethernet Network is technologically neutral - it can transport a number of applications @lightspeed™:
 - Current broadcast quality video
 - Voice
 - Data
 - IP Video as well as Skype and other peer-to-peer networks
 - Transition service to permit the current video service and IP video services to be used during the same video conference session(s). This is an important issue at this time when funding for equipment is scarce.
- c) Technology is important...and the ICN is relevant.
 - **Federally funded \$16.2 million** grant – ARRA Broadband Technology Opportunity Program – over 1,000 new or enhanced Ethernet connections to Community Anchor institutions requiring agreements with the private sector to use fiber and network electronics to connect over 100 law enforcement locations and Public Safety Answering Points.
 - **Federally funded \$9.9 million** grant – Telehealth network partnership between the ICN and the Iowa Hospital Association to connect 85 hospitals statewide. Fifty hospitals have been connected at the end of 2010.
 - (1) 1 Gigabit of connectivity for each healthcare provider. Represents the most robust and state-of-the-art healthcare network in the United States.
 - (2) No other network in the state can currently provide this level of capacity at the rural healthcare locations.
 - Secure network for government serving government connections. Protects sensitive data when being transmitted.

2) ICN **does NOT** receive General Fund appropriations

- a) Approximately \$7.2 million of the infrastructure appropriations to the ICN over the past four years went to upgrade state agency Capitol Complex phones and the government survivability infrastructure (redundancy). Monies provided thru infrastructure appropriations would be incurred by State government for telephone and other telecommunications services whether or not the services are provided by the ICN or another provider.
- b) ICN operates in a fee-based environment.

3) Impact on ICN/Private Sector Partnerships

- a) From FY 2001 to FY 2010, \$375 million from the ICN budget paid for services and equipment from private sector providers, much of which would not have been available if the ICN did not exist
- b) The hospital network when completed will provide opportunities for approximately 1,000 clinics and physician offices to be connected with the hospitals via private sector circuits.

4) State agencies save money by using ICN services

- a) On average, State agencies report saving approximately \$1 million per month each year by using ICN video services alone.
- b) ICN is the corporate or enterprise telephone service provider for state agencies.
 - 16,000 lines being changed out were in place for 25 years. State is funding the equipment replacement over an 8 year process. ICN is not charging for the labor, which is approximately \$240,000.
- c) Government survivability is a priority.
 - Capitol Complex redundancy for telecommunications services is available through the ICN. Other carriers may not provide this capability in time of disaster.
 - In time of disaster, ICN is dependable:
 - (1) The design of the network with its ring topology and extensive use of backup generators for power

5) Education benefits because the ICN exists

- a) Education users are charged about 38% of the cost to conduct video conferencing sessions.
- b) ICN and Department of Education are working together to find a cost effective solution for transitioning the ICN video services to IP based services in order to provide anytime, anywhere video sessions.

CONSIDERATIONS – Change in Ownership Status

1) Difficult to disengage

- a) *Potential **payback** of federal funding sources* – The federal government may make the claim for reimbursement of the investments they made in the Network, including the following:

The risks are from highest to lowest.

FEMA HUB Investments	\$3,500,000
FEMA Survivability Standards	\$3,905,000
National Guard Connectivity to the Network	\$9,300,000
ARRA Broadband Technology Opportunity Grant*	\$16,200,000
FCC Rural Healthcare Grant *	\$9,900,000
GSA Federal Investments	\$19,000,000
Star Schools and other US Dept. of Education Grants	\$49,681,000
Total	\$111,486,000

* These projects are in progress.

2) Market Value Impacted by ICN Logistics

- a) Key network equipment may have to be moved.
- The Network Hub is located at JFHQ, a secure government site.
 - Other network facilities are located in governmental facilities.
 - Retaining equipment at current sites would have to be negotiated between the buyer and current locations. There could be over 700 separate entities that the buyer would have to negotiate.
- b) Tax incentives may be needed to entice buyers.
- The State does not pay property taxes on the infrastructure so the financial statements do not include these costs.
 - There is no estimate of the taxes that would be levied.
- c) Fiber route may not be attractive.
- The fiber is an intrastate asset and as such does not connect major population centers except in Iowa.
 - Fiber in the Des Moines Metro area is shared with the various communities and would not be available for inclusion in a sale package.
- d) Preventative maintenance funding not always available.
- The State has not invested in the maintenance required routinely replace network elements.
 - The State may not realize a premium value for the infrastructure.
- e) Sharing agreements may not be transferable.
- In a number of locations around the state, the ICN and other entities (DOT, cities, counties, and private sector companies) have entered into duct and cable sharing agreements.
 - This is especially prevalent in urban areas.
 - Whether those agreements could be transferred to a buyer would need to be investigated.

3) Legal, political, and operational implications

- a) Rights-of-Way fees for buyer could significantly increase.
- Ownership or operation of the ICN by a private provider will increase operational costs as a result of Right of Way fees.
 - The ICN pays \$1 per year for this expense as a government entity.
 - A private provider will pay nearly \$3 million in Right of Way fees for the first year with a 4% annual increase for this expense.

For more information contact:

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