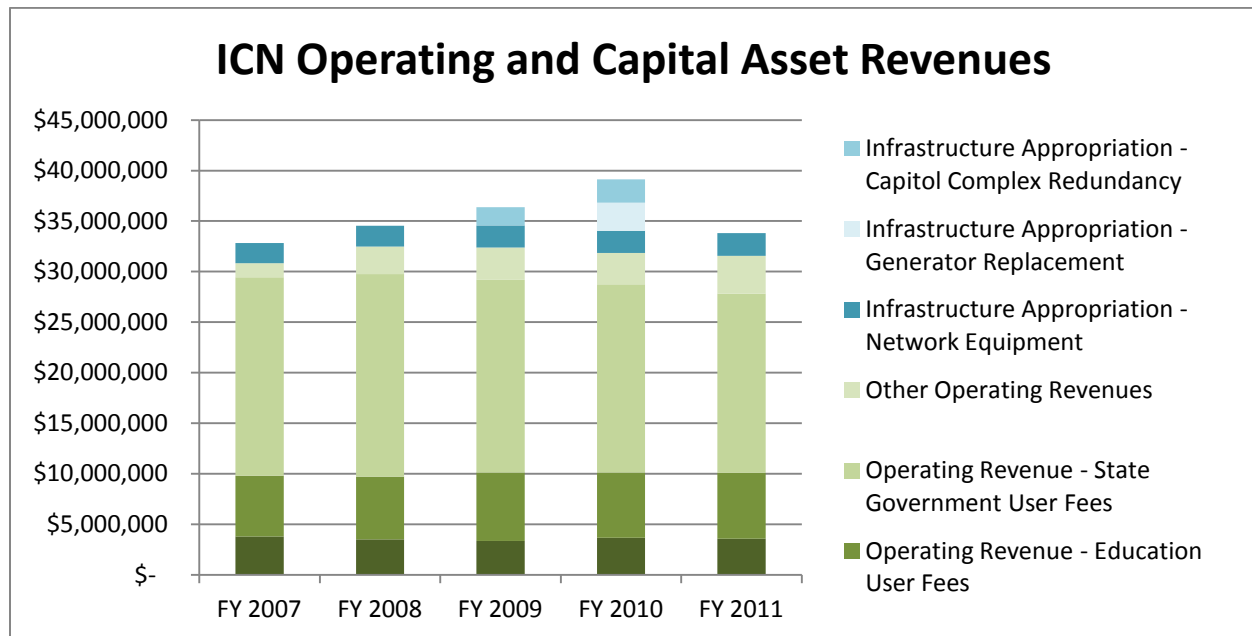




Revenues and Expenses

Unlike most state departments and agencies, the Iowa Communications Network (ICN) operates with fee-based revenues rather than General Fund Appropriations. Below is a graph depicting the operating revenues and capital asset appropriations that ICN has received during the past five fiscal years.



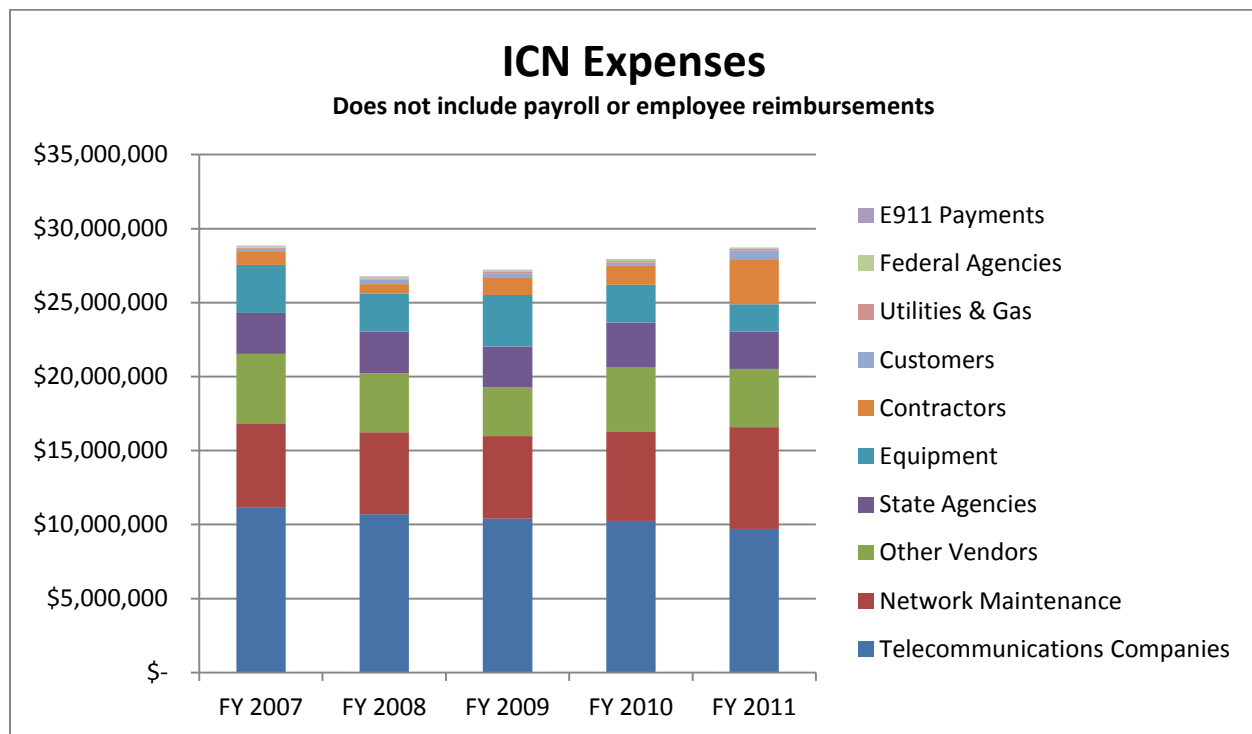
During this time frame, a majority of the operating revenues have been realized from the Network's largest users which are state government agencies. Besides supplying the video and data services to authorized users, the ICN is the corporate telecommunications provider for the state government enterprise and provides line side telephone services on the Capitol Complex and other locations throughout the metro Des Moines Area.

Capital asset revenues are appropriated from infrastructure funding sources such as the Technology Reinvestment Fund. To ensure ICN's eligibility to receive a portion of the Universal Service Fund reimbursements on behalf of Iowa schools and libraries, a network infrastructure investment must be made by the State. The Equipment Appropriation has provided that investment requirement by annually providing the ICN with approximately \$2.2 million.

Since the survivability of government operations is a priority, the Capitol Complex redundancy provided by the ICN for telecommunications services is also paramount. Funding was appropriated in both Fiscal Years 2009 (\$1.8 million) and 2010 (\$2.32 million) to minimize the number of single points of telecommunications failure on the Capitol Complex. Fiber optic cable has been installed in conjunction with a Department of Administrative Services power distribution project to protect all state buildings on

the Capitol Complex from disruption due to fiber or electronics failure. ICN is in the process of providing a second voice switch located off the Complex, complete with the necessary electronics, power and power-backup facilities to minimize vulnerability and ensure continuity of operations for the Capitol Complex. ICN will also be working with other telecommunications providers to install a second (redundant) meeting place where telecommunications traffic can be handed from the ICN to other providers and visa-versa.

ICN relies on partnerships that have been created with various private sector companies to deliver services to authorized users. The largest percentage of ICN expenses is a result of the “last-mile” connections provided to ICN users. Last mile is a descriptor for the portion of the connection that links the customer with the main network backbone. It can be much less or greater than a mile. ICN also uses a private contractor for network maintenance. Their experience in staffing the Network Operations Center and delivering repair and maintenance services in the field is vital. In many cases, the ICN is the broker that enables government, educational, and medical users to receive volume advantages that they would not receive otherwise.



This graph demonstrates the monies that go from the State’s Network that are received as user fees and then distributed to private sector companies. From FY2006 to FY2011, \$149.8 million was paid for services and equipment from private sector providers, an average of almost \$25 million per year. During this same period, the ICN received \$19.2 million in state (non-General Fund) appropriations.