Kan-ed Was Created in 2001 To Provide Broadband Internet Access and Distance Learning Capabilities for Schools, Hospitals, and Libraries

The Kan-ed Act, passed by the 2001 Legislature, called for a broadband technology-based network to which schools, libraries, and hospitals could connect for broadband Internet access and distance learning. The Kansas Board of Regents was designated as the entity responsible for creating, operating, and maintaining the network.

Kan-ed provides a virtual private network and funds various databases and software services for schools, libraries and hospitals. The purpose of the network is to provide broadband Internet access and support video conferencing and distance learning. The current version of the network has been in place since 2009 and is provided by contract through AT&T. (Before that, members were first connected in 2004 to an earlier version of the network.) Kan-ed fully subsidizes a base-level (1.5 megabit) connection to the network for each member, though members can opt for larger connections if they are willing to take on the additional costs.

AT&T provides the infrastructure for Kan-ed's network at a cost of $4.4 million. In addition, Kan-ed contracts with the Kansas Research and Education Network (KanREN) to oversee the day-to-day network operations and troubleshoot the Kan-ed network. For fiscal year 2011, that contract cost was $1.1 million. In general, the remaining costs associated with providing the network include staff at Kan-ed, overhead costs, and Internet service.

In addition to the private network, the Kan-ed program purchases access to various databases and software services on behalf of its members. We describe these databases and services in more detail below. The database services can be accessed through any Internet connection.

According to Kan-ed data, 450 of the 880 members were connected to the network as of September 2011. In general, all school districts, hospitals, libraries, and institutions governed or coordinated by the Board of Regents are eligible Kan-ed members. Members also have the option of actually connecting to the Kan-ed private network. Those that do are considered connected members. The number of members and connected members, by entity type, are shown in *Figure OV-1* on page 4. As the figure shows:

Figure OV-1
Kan-ed Membership –
Connected and Not Connected

Entity	Members				
	Total	Connected		Not Connected	
		#	%	#	%
K-12 Schools	336	207	62%	129	38%
Libraries	338	129	38%	209	62%
Hospitals	153	73	48%	80	52%
Higher Ed	53	41	77%	12	23%
Totals	880	450	51%	430	49%

Source: LPA analysis of Kan-ed membership data, September 2011.

- As of September 2011, there were 880 eligible members of Kan-ed.

- Libraries and K-12 schools accounted for the vast majority of Kan-ed's eligible membership (674 of 880).

- About half of all eligible members were actually connected to the network (51%).

During Fiscal Year 2011, Kan-ed Spent About $11 Million To Provide a Private Network, Databases, Software, and Other Services

Fiscal year 2003 was the first year Kan-ed was funded and the program was appropriated $5 million. For each of the next fiscal years, the program received $10 million with most coming from the Kansas Universal Service Fund and some from the State General Fund. *Figure OV-2* on page 5 summarizes Kan-ed's sources of revenues and its expenditures for fiscal year 2011.

Kan-ed spent almost $7.2 million in fiscal year 2011 on its virtual private network. As described earlier, connected members can use the network to participate in video conferences and facilitate distance learning.

As shown in *Figure OV-3* on page 6, several entities help in providing the Kan-ed Network. The bulk of the network cost is for the infrastructure itself and any network connections provided by AT&T. Network costs also include any connections provided by Kan-ed Authorized Providers (KAPS—which are providers other than AT&T), as well as costs paid to KanREN, to oversee day-to-day Kan-ed network operations. The remaining costs include Kan-ed staff salaries and a contract with Kansas State University's Office of Educational and Innovation and Evaluation (OEIE), which also helps Kan-ed administer the Kan-ed program.

Kan-ed spent about $3.8 million in fiscal year 2011 to purchase access to databases, software and other services. These database and software services can be accessed through any

Internet connection. The other services included expenditures to purchase equipment. Those services are described in more detail below.

● **Kan-ed provided $900,000 to the State Library to help purchase subscriptions to educational and research databases.** The State Library used Kan-ed funding to purchase subscriptions to various databases including HeritageQuest (a genealogy research resource),ProQuest Nursing (journals to help support nursing education), Learning Express Library (tutorials for popular software and practice tests for college entrance exams) and the Gale Suite (a collection of databases including newspapers, magazines and academic journals).

● **Kan-ed paid $1.2 million to help purchase equipment and other services.** These funds were used to help purchase equipment for members and authorized providers as well as security assessments for both members and non-members. Kan-ed uses reimbursements from the federal E-rate program to fund some of the equipment grants (this is described in the next bullet).

Figure OV-2 Kan-ed Revenues and Expenditures Fiscal Year 2011		
Description	Amount	%
Revenues		
Kansas Universal Service Fund	$9,193,871	84%
E-rate	$1,507,782	14%
Rural Utilities Service	$192,828	2%
Gates Foundation	$72,862	1%
Total	$10,967,343	100%
Expenditures		
Network		
Network operations	$4,904,451	45%
Network operations center (KanREN)	$1,112,616	10%
Salaries (excluding E-rate salaries)	$685,346	6%
Administrative costs	$479,629	4%
subtotal - network	$7,182,042	65%
Content and services	$2,381,739	22%
Grants	$1,202,664	11%
E-rate assistance	$202,526	2%
Total	$10,968,971	100%
Source: Kan-ed expenditure records.		

- **Kan-ed spent about $200,000 to provide E-rate training and assistance.** E-rate is a federal program that reimburses schools and libraries for a portion of their telecommunications and Internet access expenses. Kan-ed provides training and telephone support to school and library staff to help them apply for this reimbursement for their local costs. It also files for reimbursement for the cost of the Kan-ed network. In turn, Kan-ed uses some of that money to fund equipment grants (see previous bullet).

- **Kan-ed spent almost $1 million for access to the Empowered Desktop software which is used by K-12 schools.** This software allows schools to direct students to preferred Internet-based instructional resources and databases through customized computer desktop views. It also includes a test builder function for teachers and virtual document storage for K-12 students.

- **Kan-ed provided $190,000 to the Kansas Hospital Association to help purchase emergency room resource software.** This web-based service allows participating hospitals to see real-time information about emergency department and hospital bed capacities, as well as treatment capabilities.

- **Kan-ed spent about $340,000 for on-line tutoring assistance.** This service was aimed at K-12, college, and adult learners and was provided through Tutor.com. Kan-ed did not renew its subscription in fiscal year 2012.

For fiscal year 2012 Kan-ed's funding was reduced by $4 million. As a result, program officials cut spending for databases and other software services by about $1.5 million, and identified an assortment of other cuts which reduced total expenditures by another $2.5 million.

Figure OV-3 Entities Involved in Providing Services for The Kan-ed Program and Network	
Entity / Staff	Primary Responsibilities
Kan-ed staff	Overall management for the Kan-ed program.
Kansas Research and Education Network (KanREN)	Operates and manages the Kan-ed network. Provides usage data to Kan-ed management.
AT&T	Provides the data transmission lines and equipment for the majority of the Kan-ed network through a lease arrangement.
Kan-ed Authorized Providers (KAPs)	Other local service providers work with AT&T to provide members access the Kan-ed network.
Kansas State University, Office of Educational and Innovation and Evaluation (OEIE)	Maintains Kan-ed membership data, conducts surveys, and interviews members to assess the effectiveness of the program. Measures whether Kan-ed has attained its goals and objectives.
Source: LPA analysis of Kan-ed records.	

During the 2011 Session, There Were Several Proposals To Change or Eliminate the Kan-ed Program

During the 2011 Session, two bills were introduced that involved the Kan-ed program. The first, House Bill 2390, proposed repealing Kan-ed entirely. This bill was passed by the House, but was not voted on by the Senate. The other, House Bill 2021, would have broadened Kan-ed's membership and made its funding from the Kansas Universal Service Fund permanent. No hearings occurred on this bill.

In addition, there was a proposal to cut all funding for the Kan-ed program from the fiscal year 2012 budget. House members removed the funding for the Kan-ed program from the budget they passed. (The budget passed by the Senate included $10 million for the program.) Through a conference committee, the Legislature decided to reduce the program's funding to $6 million.

Prompted by legislative concerns about Kan-ed, a special interim study committee was established and this audit was directed. Among other things, the interim committee was directed to evaluate the Kan-ed program for efficiency and effectiveness of providing schools, libraries and hospitals broadband Internet access and determine the economic value of the program to the State. The Kan-ed Study Committee reviewed Kan-ed and issued its final report in December 2011.