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Phil Wittmer
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Sam Brownback, Governor

To: Kansas Senate Ways & Means Committee, Senator Carolyn McGinn, Chairwoman

From: Phil, Wittmer, Kansas Executive Branch Chief Information Security Office

Re: Sub HB2331 – additional information

Date: April 5, 2017

What does the \$17million figure reported in the Capital Journal articles, cited by Sen. Schmidt, refer to?

Of the close to \$17 million, \$10.7 million was spent on the vBlock equipment purchased for the Private Cloud. This equipment has not been installed and is currently being stored. The remaining \$6.3million was for hardware and software that has been applied to the Kansas Wide Area Network (WAN) and broadband fiber projects.

What is the total amount of payments applied to this \$17 million purchase to date?

The total purchase was broken in to 3 separate loans:

| <u>Loan Name</u> | <u>Total Pymnts (mil)</u> | <u>Amt Due on 3/28/17(mil)</u> | <u>Lease or Purchase</u> | <u>Loans Dates Begin & End</u> |
|----------------------------|---------------------------|--------------------------------|--------------------------|------------------------------------|
| Hardware/Cloud (vBlock) | \$10.79 | \$6.33 | Lease/Purchase | 5/1/15 to 4/1/20 |
| ACI (Ntwk Core, Firewalls) | \$6.21 | \$4.21 | Lease/Purchase | 7/30/15 to 6/30/20 |
| Smartnet | <u>\$0.12</u> | <u>\$0.067</u> | Purchase | 2/15/16 to 6/15/18 |
| | \$17.12 | \$10.6 | | |

What is the payoff amount for this expense?

As of 3/28/2017 the payoff amount would be : \$10.6 million

Was this a Lease or Purchase?

The loans for the Hardware and ACI were both Lease/Purchase agreements. It is not known why the Interim CITO at that time opted to choose a lease/purchase agreement. With a normal lease/purchase contract the state would have been able to cancel the contract at any time and return the equipment. However, because we had to use Key Financing in order to pay for the purchase, this agreement looks more like a loan. Once all payments are made the State will own the equipment represented in these agreements.