

Attachment B
Briefing on the State Network -- the "MNT"

1. Created by state legislation C.R.S. § 24-37.5-203 (resulting from Senate Bills 96-102 and 97-197)
 - Responsibility for the project is vested in the Department of Personnel/General Support Services (GSS), Colorado Government Technology Services (CGTS)
 - Legislation includes political subdivisions of the State (Cities, Counties, etc.)
 - Funded annually at approximately \$14 million of spending authority and \$7 million of general funds (difference of \$7 million can be charged back)
 - Goals of legislation
 - i. The State will serve as the "anchor tenant" to guarantee services, ensuring that the network is extended to rural Colorado, thereby bridging the "digital divide."
 - ii. Aggregating voice, video and data (multi-service or multi-use) on a single network should provide better and cheaper service for all.
 - MNT project augmented by House Bill 99-1102 that establishes a fund (\$5 million per year, for three years) for local connections in rural communities, under the auspices of the Department of Local Affairs.
2. The MNT Project (see <http://www.state.co.us/mnt/>)
 - MNT originally stood for the Multi-use Network Taskforce, i.e. the task force that was created to devise the project; the project has never been renamed, although there has been some discussion of renaming to Multi-Network Technology
 - The project is being conducted by CGTS (formerly the Colorado Information Technology Services that was formerly the Department of Telecommunications)
 - An RFP for services was prepared by CGTS, largely ignoring input from higher ed and others
 - The RFP was awarded to Qwest, with services offered to customers at Qwest's standard tariffed rate, plus the State is obligated to pay Qwest approximately \$40-50 million over a 5-year term for the infrastructure deployed to rural areas (fiber builds and high-speed data services throughout rural Colorado)
 - The Governor issued an Executive Order on January 12, 2001 mandating that all state agencies and higher ed transition their telecommunications services (scope undefined) to the MNT (K-12 and state libraries were not included in the Executive Order). Legal counsel at CSU and the University of Colorado have opined that higher ed is not subject to such an executive order, but this opinion has been neither pursued nor tested.
3. Current Status
 - CGTS has focused current efforts on converting all data circuits to the MNT
 - CGTS has performed an audit of all state data circuits, and they have identified \$1 million of annual costs for the circuits in their database. However, the database of circuits is by CGTS' own admission incomplete and inaccurate.
 - In FY 02, CGTS has identified that it needs to recover an additional approximately \$5 million to pay for the initial deployment (about \$1.4 for operating costs of staff and equipment depreciation - neither of which will benefit higher education; and \$3.5 million of infrastructure costs to Qwest for deploying new telecommunications infrastructure). These costs are projected to escalate to about \$8 million per year in two years. To recover these costs would require a "tax" of approximately 400%-700% on the costs of telecommunications circuits.
 - On June 18, 2001 CGTS issued rates, imposing a tax on the order of 400% to 500% to recover costs. Reaction was uniformly and vociferously negative due to the large magnitude of cost increase and notice late in the fiscal year after annual budgets had been set. CGTS has since agreed to rescind that cost model and now proposes to institute a "reasonable" tax, on the order of 15% to 40%, and cover the remainder of the obligation with capital funds that they have requested be moved into operating costs.
 - CGTS plans to cover the large costs of the MNT in future years by: 1) requesting a special appropriation from the legislature to cover most of the costs of the MNT, and 2) charging back for a portion of the costs by imposing a "reasonable" tax.
 - The project has not met all goals of the legislation; most particularly it is not better and cheaper for everyone. Rather, it is much more expensive and in some cases, is of lower quality.

4. Higher Ed's Stance

- We support a high-quality, statewide digital data network, as it will provide the citizenry of Colorado ubiquitous access to digital information
- It will at the same time provide better access to higher ed, and particularly to our on-line distance education programs.
- However, there are serious flaws of both a technical and a financial nature (architecture, services, technology, cost). For example, CGTS contracted with Qwest for a wide variety of services
 - i. Before it had collected a database of existing services (i.e. it had no financial "base" from which to project a "taxation" rate).
 - ii. Without knowing if the services were desired by state agencies (some contracted services will never be desirable at any cost, and others that would potentially be attractive will be too costly), yet Qwest is obligated to deliver these services and we are obligated to pay for them.
 - iii. Ignoring some crucial services that are essential to the success of the effort. Perhaps the most serious consequence is that the MNT will not provide Internet access in general to rural Colorado!
- This is consistent with our experiences with CGTS, which has performed poorly in all of our interactions with them. We can elaborate, as necessary.
- To redress the problems with the MNT, CSU and the University of Colorado have agreed to "step up" and fill the "holes" through June 30, 2002.
- Some in higher ed suspect that CGTS is striving to implement cost models that are more favorable to state agencies and their own department, and that would place a greater proportion of costs on higher ed.

5. CSU's stance

- Currently, the MNT will increase by approximately \$80,000 per year CSU's costs for the transport to Denver of our digital data. These new services, in our opinion, are equal or inferior in quality to our present services.
- It is ironic that higher ed will be receiving equal or inferior services, at significantly greater cost, and we will be "backstopping" the project to fill "holes."
- CSU is well underway constructing a networking node in Fort Collins, termed the Fort Collins Community Network, using fiber installed by Platte River Power Authority and for which CSU is the aggregator. Current participants are: Poudre School District, NTU, and the City of Fort Collins. We are now working to connect Larimer County, Poudre Valley Hospital and the City of Loveland. Other public sector sites in northern Colorado are interested in connecting. This is an activity that CGTS has stated complements the state network.

6. Recommendations

- We recommend that higher ed support CGTS' request to the legislature for funding for the MNT, provided:
 - i. That higher ed be allowed to maintain the Front Range GigaPoP in Denver, a statewide network infrastructure that effectively and efficiently meets the unique needs of higher education for Internet access.
 - ii. That higher ed be allowed to maintain local infrastructure (e.g. circuits to "satellite" sites in the area, such as ELC, ARDEC, etc.) separate and distinct from the state network.
 - iii. A uniform and reasonable "tax" (on the order of 20-30% of transport costs) is placed on all services (currently, CGTS has proposed to recover some costs by implementing a higher tax on high-speed services and a lower tax on low and medium speed circuits _ this structure would disproportionately tax higher education).
 - iv. Our CFO's work with CGTS to understand the pricing structure, particularly ascertaining what will be funded by the charge-back "tax" and what will be funded with general funds, and obtain assurances that a) only new services of the MNT will be funded by the request, and b) there are no cross-subsidies of services, especially of Internet access.
 - v.
 - vi. We should be cognizant that the net effect statewide of this budget request may be that all other budgets are reduced to achieve cost neutrality at the state level. If so, the distribution of the cost of this request should be equitable to higher education.

- We strongly recommend that higher ed distance itself to the fullest degree possible from CGTS, while at the same time adhering to the spirit of the Executive Order. Ideally, higher ed would maintain its own database of circuits and its own infrastructure, separate from CGTS' database and infrastructure. A mechanism for collecting the "tax" from all of higher ed and for effecting a single transaction from all of higher ed to CGTS would need to be identified and implemented, so that higher ed pays its fair share of costs.
- We believe that CGTS is planning in the next phase of deployment to force all in the state to use their voice services, and believe that this also has the potential to significantly increase cost and reduce the quality of services. We should strongly oppose this next step, unless this aspect of the project is guaranteed to have the desired legislative intent, i.e. better and cheaper service for every site.