



Legislative Post Audit Performance Audit Report Highlights

Highlights

Kansas Board of Regents: Evaluating the Effects of
Eliminating the Kan-ed Program

Report Highlights

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Audit Concern

During the 2011 legislative session, House Bill 2390 proposed eliminating the Kan-ed program and its funding. Proponents argued Kan-ed has accomplished its mission, while opponents argued it provides a needed service. Senate Substitute for House Bill 2014 required Legislative Post Audit to conduct a performance of the program.

Other Relevant Facts:

Created in 2001 to provide broadband Internet access and distance learning capabilities for schools, hospitals, and libraries, Kan-ed is governed by the Kansas Board of Regents.

According to Kan-ed data, 450 of the 880 members were connected to the network as of September 2011.

**Estimated Potential Cost
Savings as a Result of This
Audit:**

About \$2 million annually

Audit Question: What critical services does Kan-ed provide its connected members, and could members afford to pay for those services?

AUDIT ANSWERS and KEY FINDINGS:

Findings Related to Internet Access:

- Although the Kan-ed network is connected to the Internet, it is a very slow and expensive way of providing Internet access.
 - Kan-ed provides free access to the network for schools, libraries, and hospitals.
 - Although the network can be used to access the Internet, it was designed to support high-quality video conferencing and distance learning.
 - A 1.5 megabit network connection is free to the member, but Kan-ed pays about \$690 a month (\$8,000 a year).
- Most connected members need commercial Internet access or no Internet connection at all.
 - 57% of Kan-ed network connections could possibly be replaced with commercial internet connections or disconnected entirely.
- Kan-ed could save up to \$2 million a year by switching slightly more than half of members to commercial Internet and disconnecting others.
 - Commercial Internet service is readily available statewide.
 - It is likely that many Kan-ed members could afford to purchase Internet services from a commercial provider.
 - Some of the initial savings from disconnecting members from the Kan-ed network could be offset by penalties in the State's contract with AT&T. The estimated the penalty amount is slightly less than \$800,000.

Findings Related to Video Conferencing and Distance Learning:

- About one-third of the connected members appear to have used the Kan-ed network for video conferencing and distance learning.
 - K-12 schools and high education institutions accounted for nearly all video conferencing hours and used the network primarily for distance learning.
 - Hospitals rarely used the video conferencing capabilities of the Kan-ed network, and when they did, it was for continuing education rather than telemedicine. Libraries barely used the network for video conferencing.
- A number of less costly alternatives could support video conferencing and distance learning, but the cost and quality of those options vary.
 - Charging members for access to the Kan-ed network would transfer costs away from the state and likely eliminate most connections that don't use the network's full capacity.

- Merging the Kan-ed network with KanREN may not reduce total network operating costs, but could reduce the state's portion of those costs.
- Eliminating the Kan-ed network and relying on commercially available Internet-based video conferencing applications should significantly reduce costs, but quality may suffer.

Findings Related to Other Services:

- Kan-ed spent \$2.4 million on databases and software services in fiscal year 2011, but providing content is not part of Kan-ed's statutory mission.
 - Members use the databases and services, but the benefits of these haven't been fully evaluated.
 - Kan-ed is not needed to access these services.
 - It is not clear if the Kansas Universal Service Fund can be used for this purpose.

Other Findings:

- The Kan-ed program has focused on connecting new members and has not been managed to control costs.
 - Kan-ed's primary focus over the past several years has been connecting new members to the network.
 - Kan-ed has not formally assessed each member's needs before connecting them to the network, as required by statute.
 - Kan-ed has done a poor job of monitoring network connections to ensure members actually need them and has rarely disconnected unneeded connections.
- Since 2009, Kan-ed has provided almost \$1 million in grants and subsidies to entities that are not eligible for membership. Further, some entities are connected to the network even though they aren't eligible for membership.

WE RECOMMENDED

- During the 2012 session, the Legislature should decide whether the state should continue to provide a network to support broadband Internet access, video conferencing, and distance learning, and whether the state should continue to pay for on-line content.
- The Board of Regents should discontinue any connections, grants or subsidies for any entity that is not a school, library or hospital. It should develop a process for monitoring use of network connections and disconnect members who do not need a network connection and convert members' connections to commercial Internet if needed.

Agency Response: The Kansas Board of Regents concurred with the recommendations.

HOW DO I GET AN AUDIT APPROVED?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the Division must be approved by the Legislative Post Audit Committee, a 10-member committee that oversees the Division's work. Any legislator who would like to request an audit should contact the Division directly at (785) 296-3792.

Other Relevant Facts:

During fiscal year 2011, Kan-ed spent about \$11 million to provide a private network, databases and software, and other services.

In fiscal year 2012, Kan-ed was appropriated \$6 million from the Kansas Universal Service Fund, a \$4 million reduction from the previous year.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
Fax: (785) 296-4482
Website:
<http://kansas.gov/postaudit>

Scott Frank
Legislative Post Auditor

For more information on this audit report, please contact
Laurel Murdie
(785) 296-3792
Laurel.Murdie@lpa.ks.gov