



# 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.

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- 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 \$1.1 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.

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