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# Audit isn't part of plans to sell network

**LATER:** Some say waiting to find ICN's value could save state cash

**NOW:** Others worry delay sets taxpayers up for a fleecing

By **JASON CLAYWORTH**

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Iowa taxpayers have pumped hundreds of millions of dollars into the fiber-optic Iowa Communications Network, which the state is now trying to sell to a private business without the benefit of an audit to determine its true value.

Some who have reviewed the plan to sell the 99-county system — including an official from the state auditor's office — say such an audit could still be done after an offer is received.

It's also possible, they say, that there will be no interested buyers and that waiting on the audit could save an estimated \$500,000.

But others contend the situation has set Iowa taxpayers up for a mammoth fleecing. Lawmakers from both parties are getting behind soon-to-be introduced legislation being drafted by Sen. Matt McCoy that would require the audit to begin immediately.

"The whole thing just feels really, really fishy to me," said McCoy, D-Des Moines, one of 13 members of a team put together by the ICN to map out strategies to sell the system. "It just seems messed up."

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# ICN

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The network transmits live video conferencing, telephone communications and data mostly among government agencies and schools. It currently uses less than 30 percent of its capacity.

Possibly selling the network for pennies on the dollar could give private investors an unfair windfall in revolutionizing a statewide communication system that could someday sell Internet and video services to homes and businesses, audit advocates said.

And an audit after the fact — potentially paid by the buyer — could be skewed to reflect the offer rather than the true value. Furthermore, such a task could take more than a year and sink the deal, making the whole exercise pointless, some say.

“How can you move forward to sell something like this unless you know what you actually own?” said Sen. Mark Chelgren, R-Ottumwa, another member of the implementation team assisting with the possible sale. “I wish it cost less, but I think it would be irresponsible to try to sell something that you have no value of.”

## Disagreement over best way to proceed

The ICN was launched in 1989 when legislators inserted language into a late-night budget bill to create a statewide telecommunications network.

The state has spent at least \$368 million on the system, not counting annual operating costs that now amount to about \$22 mil-

lion. The annual budget is paid for largely by government agencies using the network.

Legislators from both parties agreed in 2010 to solicit bids to sell the network as part of an effort to reduce the size and scope of government.

Since then, network officials have encountered dozens of unanswered questions and legal hurdles about how best to move forward.

Seeking help, the ICN administrators spent \$932,000 to hire Fiberutilities Group, a Cedar Rapids company, to draft the complex proposal seeking bids from prospective buyers.

They also formed the 13-member implementation team, which now consists of four legislators and one representative each from the ICN, the governor's office, the state auditor, the attorney general, the judicial branch, the Iowa Hospital Association, Iowa community colleges and the state's public safety and education departments.

The group met on Nov. 21 — neither McCoy nor Chelgren was present — to discuss the audit issue. They ultimately agreed that efforts to sell the network would move ahead without the audit.

Andy Nielsen, deputy auditor for the state and a member of the team, said several factors weighed on the decision. For one, the ICN is unique, and building an estimate of its value is difficult because there is nothing to compare it to.

“In the circumstances that we're dealing with now and the way the Legislature has structured this, it probably makes sense to get the RFP (request for proposal) ready first,” Nielsen said.

Pete Sepp, vice president for policy and communications for the National Taxpayers Union, a non-profit group based in Virginia, agrees the system may be hard to value. But he also said that must ultimately be done to assure taxpayer investments are not squandered.

“There's this \$15 million savings estimate that Republicans in the Legislature have developed ... so, clearly, someone has given some thought to the possible value this enterprise could fetch in a market situation,” Sepp said. “So it shouldn't be too hard to develop something that's more formal and certified. That would seem to be a wise precaution.”

## Some question selling network

Rep. Walt Rogers, R-Cedar Falls and another ICN team member, said last week that he's not comfortable selling the network. An audit might not be a bad idea, but he also doesn't want to spend money for an audit unless it's necessary.

Rogers compared the situation to an automobile whose value on the open market may be less than the benefit it provides its current owner.

“There may be some people who want to wash their whole hands of the system and say ‘let's sell it,’ but I think the best thing for Iowa is for us to stay involved in it,” Rogers said.

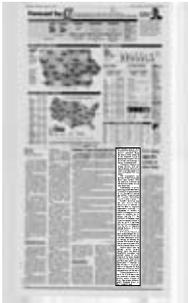
Rep. John Wittneben, D-Estherville, agrees with the decision to proceed without an audit. He, like Rogers, questions the wisdom of selling the network. Even though it is now operating well below capacity, he worries what might hap-

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open during a disaster if the network was operated by a private company. Would the state's public safety officials, National Guard armories and hospitals be assured they have enough capacity to communicate?

Wittneben believes potential buyers will ultimately decide there are too many constraints and extra costs associated with such a deal.

The Legislature said any sale or lease must guarantee that current users can continue to access the network at a lower overall long-term cost.

Additionally, a private operator would have an estimated \$5 million in annual costs for right-of-way usage and be a taxpayer, costs the current state-owned system is able to avoid.

Another potential hurdle any private buyer would face is whether it will be able to negotiate agreements allowing ICN equipment to remain in public buildings across the state. It's possible, for example, that the U.S. Department of Defense could require a private owner to relocate an ICN hub from the Joint Forces Headquarters facility in Johnston, adding millions of dollars in extra costs.

ICN director Dave Lingren acknowledged the potential financial technicalities and challenges posed by selling or leasing the system. But he also is optimistic that its overall value could outweigh those costs.

Lingren noted that the private sector largely doesn't have the kind of bandwidth available that already exists in every county in the state thanks to the ICN. He believes it's possible that some sort of agreement — whether a sale or lease — could ultimately be hashed out that turns the ICN into a revenue generator for the state.

"I think the greater value of the ICN is that it has the potential to allow the private sector to grow in ways that people probably aren't thinking about today," Lingren said.