



Factual errors in OMB's 2006 report: Budgetary and Functional Review of Executive Branch Agencies and Instrumentalities

Preface

The Board of Directors of the Indiana Higher Education Telecommunication System (IHETS) has received and reviewed the PROBE review report findings and themes.

We support this effort to track and measure the outcomes of state-funded “instrumentalities” and support OMB’s goal to oversee their efficient, effective, and wise use of state tax dollars.

We also acknowledge the current overhaul of our business practices, operations, and services is overdue. Under the direction of key leaders in Indiana’s higher education community, IHETS has undergone a marked transformation in recent months. Work completed during the last quarter of 2006, combined with the implementation of ambitious plans for the first and second quarters of this year, marks a real sea change in the organization’s history.

While “Are Dinosaurs Really Extinct?” (pg. 20) poses an important question, it is not appropriately applied to IHETS. Over the years, IHETS has grown, evolved, and changed in many ways, keeping pace not only with the latest advancements in telecommunications and information technology, but in meeting changing consortium needs (and the needs of other public sector groups).

Currently, IHETS is making major transformations to improve the technology and e-learning services provided to higher education community, state government, and affiliated public-sector partners. This effort will include elimination of services no longer needed or effective, development of new services to meet unmet user needs, and strengthening or enhancing existing services. Metrics documenting a higher degree of effectiveness and accountability, which admittedly have not been rigorous in the past, are integral to this effort.

We herein note and clarify factual errors in OMB’s report, including concerns about “mission creep,” a reported “\$4 million fund balance,” and misperceptions about IHETS original and existing legislative authorization.

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IHETS legislation

In 1967, the Indiana General Assembly authorized Indiana's public colleges and universities to arrange for a telecommunication *system* to share educational resources. The original legislation did not mandate that IHETS “build or maintain a network connecting the institutions to the Internet” as OMB reports, nor was IHETS created to simply serve as an Internet “connectivity” or “service” provider. In fact, the word “Internet” is not mentioned and does not appear in the original, revised, or current legislation (last updated in 2005).

The system authorized in 1967 was created as envisioned. The consortium was subsequently expanded by the legislature to serve all public and independent higher education institutions, and the system discontinued technologies over the years as needs changed.

Plans for a shared, Internet-based data network connecting Indiana's colleges and universities began in January 1991. Three years later, IHETS had built and connected all consortium members to the Indiana Data Network (INDnet), which provided a backbone for enhanced instructional capabilities, development and delivery of education, library automation exchange, and administrative functions, including student services. A foundation, in other words, for the IHETS video, audio, and Web-based conferencing and streaming used by researchers, faculty members, instructors, and students today.

Mission creep

OMB's concern about IHETS as an “example[s] of ‘mission creep’ in state government” is not reflected in the language, spirit, and intent of the original, revised, and current legislation.

In 1998, the state's Intelenet Commission asked IHETS to expand INDnet to serve the public-sector entities, including state government, public libraries, and K12 schools. IHETS obliged, further constructing and expanding the network backbone into what became the Indiana Telecommunications Network (ITN) in 1999.

In 2005, state officials determined that services provided via ITN would be most efficiently delivered by a private provider. That fall, the Indiana Department of Education contracted with ENA to serve K12 schools, and their circuits were migrated off the ITN; state public libraries followed suit in early 2006.

Higher education circuits are currently being migrated to the (higher education and research only) I-Light network. In late 2006, it was determined the IHETS Board of Directors would oversee I-Light operations.

The fact that ITN was privatized does not require “promptly” eliminating IHETS, nor has IHETS “change[d] its focus to support multi-media applications (such as video conferencing).” From the outset, IHETS' legislation required a “multi-media” system.

IHETS has a long history of surveying educational, administrative, research, and community service needs before developing the services it provides. Any mission creep that may, in fact, exist has resulted from legislative mandate or executive recommendation:

- In 1987, the General Assembly added (at its own behest, not at the request of the consortium or any of its members) a mandate to operate “a videotape program” to IHETS’ enabling legislation. This language was updated in 2005 to read “programs in electronic format.”
- On the advice of the Commission for Higher Education in 1992, the IHETS Board of Directors expanded collaboration in the area of programs using all technologies (whether or not operated by IHETS).

Payment for IHETS services

OMB’s assertion that public and independent consortium members currently do not pay for IHETS services is not accurate.

Users of the State Universities Voice Network (SUVON), for example, pay service fees that fully covered all operational costs. Other IHETS services have associated fees that provide partial cost recovery. Some services are covered by general network connection charges.

Members of the finance, technology, and e-learning committees are developing a comprehensive service pricing structure and fee guidelines that will be presented to the IHETS Board of Directors for adoption during the second quarter of 2007. Specific fees and costs for services by user category (i.e., consortium members, affiliated organizations, and public-sector users, including state government) will be implemented beginning July 1, 2007.

\$4 million fund balance

OMB’s assertion that IHETS “currently maintains a \$4 million fund balance” is incorrect—no such balance exists.

As explained in person and in writing to OMB, IHETS practices responsibility center management as the financial model utilized by the consortium’s fiscal agent, Indiana University. Funds not yet spent but needed to meet existing obligations or one-time expenses are encumbered and carried forward at the end of a given fiscal year (i.e., June 30, 20XX) into the next fiscal year beginning July 1.

IHETS did provide OMB with financial records reflecting cash balances for the past four fiscal years. These balances have been disbursed according to all Indiana University policies and procedures to meet those obligations and one-time expenses for which IHETS had budgeted but which were in progress or had not been invoiced.

Although IHETS receives a biennial appropriation, it has operated according to and well within the limits of all Indiana University fiscal guidelines since its inception. Only in unusual (and

authorized) circumstances has a carry-forward amount at the end of a given fiscal year even exceeded ten percent (or \$400,000) of the reported \$4 million fund balance.

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Recommendation for elimination of funding

In Appendix C: Organizational Recommendations (section titled “Elimination of Program or Funding,” item number 12), OMB recommends the following:

“Eliminate general fund appropriation for the Indiana Higher Education Telecommunications System (IHETS). IHETS no longer has responsibility for its original purpose of maintaining the computer network connecting the state’s higher education institutions to each other and the Internet. These public and private universities should pay for IHETS’ remaining services of multi-media applications and distance learning support.”

As previously stated, IHETS was created by the Indiana General Assembly to facilitate and coordinate sharing of educational resources among postsecondary institutions, not to merely maintain a “computer network” connecting individual campuses to “each other and the Internet.”

Although the intent of the original enabling legislation has changed relatively little, IHETS does acknowledge that a major revitalization to streamline and improve services is needed and is proactively taking the steps needed to move forward.