



CALIFORNIA STATE UNIVERSITY, SACRAMENTO
FACULTY SENATE

MEMORANDUM

November 3, 1997

TO: Faculty Senators

FM: Tom Krabacher, Chair
Faculty Senate
278-6593; krabacherts@csus.edu

RE: Special Senate Meeting, Thursday, November 6, 3:00 p.m., Forest Suite, University Union

Here is a packet of material for you to look at before our special Senate meeting on the system-wide SIP proposal this Thursday. We have tried to keep the packet as short as possible while at the same time providing enough detail to give a sense of what is involved. Enclosed you will find copies of:

- a brief overview of SIP;
- a related Sacramento Bee article;
- the SIP Business Plan Summary;
- list of potential CETI products/services;
- the proposed SJSU resolution.

The Bee article (*on blue*) and the overview (*on pink*) provide a general introduction to what is going on. The overview, prepared on campus in the Senate office, summarizes the basic elements of SIP and CETI as we understand them to date, listing the expected benefits for the CSU as well as highlighting key areas of concern. The CETI Business Summary (*on white*) provides a formal summary of the proposal currently under negotiation. The list of potential revenue-generating products/services (for both the CSU and its corporate partners) (*on yellow*) identifies some of the activities that might be undertaken. The SJSU resolution (*on green*) is an example of one campus's proposed response to the process.

While we need not limit our deliberations to what is contained here, the materials should nonetheless provide a starting point for our discussion and possible actions on Thursday. Maynard Robinson, CSU general manager for the Technology Infrastructure Partnership, also will be on hand Thursday to answer any questions we might have.

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BUSINESS

CSU working on deal with computer firms

By Michael Stroh
Bee Staff Writer

The California State University system is teaming with four private companies to wire all 22 of its campuses with a state-of-the-art computer network.

Under the unprecedented deal, the companies — GTE, Microsoft Corp., Fujitsu and Hughes Electronics — over the next three years will spend \$300 million to install wires and cables between the universities as well as provide desktop computers, software and training. The network is intended to give CSU students and faculty high-speed Internet access, real-time video conferencing and the ability to do other research applications that require sophisticated computer networks.

"It will allow the faculty, staff and students to communicate with each other anytime, anywhere," said Ruben Arminana, president of California State University-Sonoma. "Not all the campuses are able to do that right now."

Under the deal, the companies — chosen last month by competitive bid — will install the system without charge. But they will have an opportunity to generate revenues through their contacts with the CSU campuses.

That has troubled some faculty and students, who worry about the encroachment of private companies onto academic soil.

CSU officials say that with little money trickling in from the state, projections that show a flood of new students coming into the system in the coming years, and the increasing importance of technology to education and employment, they have little choice.

"It's a very large deal because we have a very large problem," said Maynard Robinson, general manager for the Technology Infrastructure Partnerships at California State University in Long Beach. What exactly are the companies going to get from the deal?

"They're going to get access to our market of 350,000 students, 40,000 faculty and staff plus our 2 million alumni," said CSU spokesman Ken Swisher.

CSU officials say this means not only as customers for their products but as potential employees.

"Why am I a fan of Apple Computers? Because Apple entered the education market early," said president Arminana at Sonoma State. Similarly, "If I had a choice between working at GTE or PacBell, I might be more prone to working at GTE" because of their presence on campus.

Already students and faculty at some campuses have protested the move, worried over the potential conflicts of interest that might arise between public universi-

ties and profit-minded corporations.

"Some people think we're selling our soul to corporate America," said Arminana. "There are certainly thorny issues to consider."

CSU officials say they're working hard to make sure the agreement protects their intellectual property rights and the right of students and faculty to think, speak and write freely.

"We have a battery of attorneys on both sides looking at this," said Robinson.

Officials point out that the presence of private corporations on campuses is nothing new — and perhaps only just beginning.

Corporations such as Nike, Pepsi and Coca-Cola are an established — if still controversial — presence at many universities around the country. And CSU is no exception: Cable giant Cox Cable Communications, for instance, recently lent its name to the CSU-San Diego football stadium.

"These arrangements are the kinds of things that you'll be seeing more of because we have to find alternative sources of funding," said Swisher. What worries CSU officials is a demographic phenomenon they're calling "Tidal Wave 2": Over the next decade California can expect as many as 500,000 new college students to wash into the system.

"We cannot expect to survive solely on state support with numbers like that," Swisher added.

Over the next few months, the two sides plan to hammer out the specifics of their partnership. University officials expect to have a final agreement ready by Dec. 15.

SIP OVERVIEW

Background:

The development of SIP/CETI is the result of recognition by the CSU that 1) system-wide, the CSU requires over 300 million dollars to upgrade its current information technology infrastructure, and that 2) traditional revenue sources (i.e., state funding) will be inadequate to meet this need. As a result, the CSU is currently negotiating to enter into a public-private partnership with a consortium of four corporations (GTE, Microsoft, Fujitsu, and HUGHES) in order to acquire the necessary financing. The consortium was one of three that had submitted proposals to the CSU; the decision to go with them was made in mid-September, 1997. The agreement will call for the formation of revenue-generating corporation, in which the CSU will hold a controlling interest. The anticipated lifetime of the partnership is 10 years. The parties involved expect to sign a formal agreement in early January.

A note on terminology: There are five terms (four of them acronyms) frequently used in the discussion of all of this:

ITS (*Integrated Technology Strategy*): CSU's overall strategy for upgrading and integrating its information technology infrastructure.

TII (*Technology Infrastructure Initiative*): The initiative for implementing the strategy (ITS).

SIP (*System wide Internal Partnership*): the "players" involved (i.e., the people and organizations) in implementing the strategy.

CETI (*California Education Technology Initiative*): the corporation formed by the agreement.

Flagship 50: the 50 products and services most likely to be offered by CETI for revenue generation.

The role of the corporation (CETI) will be to provide the capital necessary for the needed CSU infrastructure upgrades; initially, most capital will be provided by the corporate partners. The corporation is also expected to be revenue-generating; these revenues will provide a return on investment to the CETI partners (including the CSU) and provide continuing funds for future infrastructure maintenance and upgrades.

It has been suggested, although it is not clear, that the agreement that will be signed in January will be a binding commitment to make the infrastructure investments. A series of more specific sub agreements on issues such as revenue generation and educational development will be worked out in the months that follow.

What's in it for the CSU:

The CSU expects to receive the following benefits from the CETI partnership:

- Major upgrade of its information technology infrastructure. As the term is used here, infrastructure includes voice, data, video, and satellite equipment, cabling and networks. ("everything up to the faceplate on the wall"). It does not include desktop items such as computers.
- 24-hour service and support for faculty, staff, and students.
- Improved access for faculty, staff, and students to information networks, both externally (e.g., worldwide web) and internally (intra-campus connections).
- Access, at market prices or better, to a wide range of information-related goods and services (hardware, software, long distance services, etc.)

Areas of Concern:

In addition to the commitment to invest in infrastructure upgrades, CETI is also committed to developing and implementing proposals for the generation of revenue. While not necessarily bad, this has implications for the way higher education is offered within the CSU. A number of the revenue proposals, for example, involve the development and marketing of educational products, including course offerings. What is particularly troubling is the "fast-track" approach currently underway to formalize the agreement before many of the details in these areas are worked out. Some important areas of concern are:

- What happens if insufficient revenues are generated by CETI? What financial obligations does this place upon the CSU?
- Some support services are likely to be centralized system-wide and no longer offered on an individual campus basis. Will this involve lay-offs?
- The expectations of faculty to work with CETI particularly in the area of revenue generation are not clear; will CETI and the CSU give incentives to faculty who develop revenue generating products?
- How will this effect the labor relationships between faculty and the CSU as determined by collective bargaining?
- The issue of intellectual property rights has not yet been addressed.
- What effect will this have on curricula and modes of course delivery, esp. in light of the potential development of marketable educational products. *[Note: the word is, at the moment, that educational developments will not begin for at least 18 months after the agreement is signed.]*
- CETI will have the use of CSU facilities on a rent-free basis.
- The CSU logo may be used by CETI on products and for marketing purposes.

In addition, there is the more general concern over the process by which the CETI agreement is being worked out. There has not been widespread faculty consultation in its development. The fast-track schedule provides little time for meaningful discussion and input before the agreement is signed in January. It is unclear what provisions, if any, have been made for faculty consultation in working out future details and sub agreements. Moreover, it has been stated that the Chancellor has the right to commit the CSU to the agreement, even if it is not supported on all campuses.

CETI TEAM

TII SIP BUSINESS PLAN SUMMARY

Introduction

The following is a summary of the Business Plan jointly developed by the CETI Team and the CSU SIP Development Team as the basis for addressing the CSU's Technology Infrastructure Initiatives. The summary, which CETI has approved, outlines the fundamental structure of the business relationship being pursued between the CSU and the CETI partners. All provisions of this plan are subject to change pending development of a final agreement on a CSU/CETI partnership.

Summary

Team members GTE, Fujitsu Business Communications Systems, Microsoft and Hughes Global Services accompanied their proposal with firm letters of commitment to SIP from senior management. Two of the team members maintain headquarters in California and all of the partners have a vested interest in a strong educational system within the state. Their proposal follows the recommended outline and responds to the technology initiatives to build-out the infrastructure within three years and generates positive pro-forma net income by the fourth year of the partnership with the CSU.

The GTE Team suggests forming a corporation, the California Education Technology Initiative Corporation (CETI), and beginning activities with a nine-member Board of Directors with the CSU holding the chairmanship. The team states that CETI will make every effort to retain full time CSU employees in their current job classifications and that they were duly impressed during campus visits with the technical expertise and dedication of the CSU employees. The GTE Team forecasts that CETI will spend up to \$300,000,000 over the first three years to build out the infrastructure, and an additional \$65,000,000 over the next seven years to complete and refresh it. The Business Plan states that the GTE Team will initially fund CETI with \$36,000,000 in working capital, acquire lease financing for \$120,000,000 and finance an additional \$180,000,000 with a proposed bond offering. *The GTE Team plan ensures that the required money will be available to CETI.* The GTE Team stated September 15, 1997 that while CETI would sign any borrowing documents for debt to build out the infrastructure; the commercial partners will guarantee these obligations for the infrastructure if required. Pro-forma revenue totals will surpass \$350,000,000 annually by the year 2002, which helps justify the team's commitment to this project. The financing for any debt to build out the infrastructure will be structured so that ultimately the CSU retains control.

Sectional Highlights

Section 1.1 Letter of Commitment

Strong letters of commitment from all four team members preceded the GTE Team plan.

Section 1.2 Executive Summary

The Executive Summary is a concise and direct description of the plan outlined in the broader document. Specific emphasis is placed on:

- Infrastructure Build-out - Describing the approach and cap [ability to perform.
- Critical Success Factors - Describing the metrics associated with the technical, financial and implementation components of the plan.

- Financial Plan - Highlighting the projected annual revenue potential of \$380M and a better than 4% post tax return on sales.

Section 1.3 Mission Statement

The GTE Team chose to slightly modify the mission statement proposed by the SIP Development Team. Their alteration replaced the phrase "make money" with the phrase "provide a reasonable return to the shareholders".

Section 1.4 Value Proposition

The GTE Team value proposition is a direct and accurate reflection of the desires and needs of the CSU. It reflects the value to be derived from the major constituent groups (students, faculty, staff, alumni, community based affiliates, community colleges, K-12, citizenry and industry partners). It focuses on value creation and describes the value as coming from the full partnership, including the CSU, and not from any one partner.

Section 1.5 Internal Assessment

The GTE Team provided a fair and assertive assessment of the state of CSU internal readiness. Their view was campus centric and they describe their approach as "not about stifling or capping past successes of campuses and redistributing assets. Our proposition calls for increasing the telecommunications assets systemwide to reach broader markets and accomplish the objectives of the CSU".

Section 1.6 External Assessment

Provides a fair overview of the market potential. More detailed demographic and market segment data will be needed in the next round of implementation planning.

GTE also reiterated that they see no reason for contemplating protest.

Section 1.7 SWOT Analysis

The GTE Team focused on the strength of the GTE Team (with Fujitsu, Hughes and Microsoft) as a key strength of their plan. They identify their size and regulatory history as potential weaknesses to the team due to the bureaucratic nature of their internal decision structure, but note they have formed the unit we are dealing with to be more efficient and responsive.

The GTE Team views lack of campus participation as the biggest threat to the success of the partnership but identifies a host of opportunities through leveraging the strengths of the CSU and those of the industry partners.

Section 1.8 Strategic Imperatives and Critical Success Factors

The GTE Team provides a detailed listing of critical success factors across the following categories:

- Creation of the Partnership (CETI).
- Infrastructure Build-out
- Access, Training and Support
- Revenue Generation
- Requirements Above Baseline
- Operational Support
- Technology Refresh

- Market Penetration
- Employment
- Development of the Final Agreement

Section 1.9 Infrastructure Build-out

The proposed infrastructure build out will be accomplished in three main phases:

- 1998---all 22 campus libraries, computing labs, and faculty offices upgraded to baseline infrastructure.
- 1999---all 22 campus administrative offices and the complete build out of selected campuses.
- 2000---complete build out of remaining campuses and buildings.

Other highlights of the plan include:

- All technologies can scale from the smallest bandwidths (56kbps) to OC-3 and beyond.
- Each campus will have, and help tailor its own "scope of work" plan.
- Desktop objective is for faculty to have access to computing technology less than two years old, students and staff, less than three years old.
- Data centers are out of scope and not mentioned.
- Flexibility in the implementations of the infrastructure build out will be a primary concern to allow campuses to maintain their "individuality" and to self-direct, to some extent, the application and implementation of the new technologies.
- Satellite services will play a key role in the infrastructure build out and the development of remote learning environments.
- CETI will work to significantly improve the desktop environment through the setting of desktop standards, hardware upgrades, software upgrades and improvements in related training and help desk support.

Implications for the CSU: The CSU will achieve its main goal of technology infrastructure build out in three years and have a process and funds to keep it current. This allows the CSU to fulfill its educational mission on behalf of its students and continue to have the tools necessary to be a leader in the field of higher education in California and the world.

Section 1.10 Marketing, Sales and Revenue Plan

The GTE Team developed 50 revenue-producing services called Flagship 50 concentrating in four main areas. Some examples include:

1. Development of Educational Content

- Continuing Education/Certification-California and National
- CSU Competency Exam Review, Courses and Tests
- Preventative Health Services
- Training Programs---Internal Partnership and General Business Community
- CSU Virtual University

2. Career and Student Development

- Resume and Career Services for Students and Alumni

3. Development of Telecommunications Services

- Student Off-Campus Internet Access (PPP Account)
- Faculty Off-Campus Internet Access (PPP Account) with Enhanced Services and Local Access
- Community ISP Service
- Help Desk Services on a 24 hour Basis (Baseline)
- Enhanced Non-Campus Related Help Desk Services
- Development of Video Course Drop Sites for Video-Based Distance Learning

4. Commercial Products

- Phone Service to the CSU
- University in a Box for Campus and Alumni
- DirecTV Distribution
- Prepaid Calling Cards
- Student and Faculty High-Speed Access (ADSL, ISDN)

Implications for the CSU: By concentrating on core markets, students, faculty and administration, the GTE Team stays focused on the educational mission and market. By continuing to refine, refresh, develop and deliver goods and services that will generate meaningful revenues and profits, the GTE Team and the CSU will be able to apply those profits to further infrastructure build-out and technology refresh.

Section 1.11 Cost Reduction Opportunities and Plan

Implementation of the proposed infrastructure during the next 10 years is expected to provide an opportunity to benefit from significant cost reductions in major elements of the CSU budget. The establishment of a ubiquitous telecommunications infrastructure will yield immediate and widespread improvement in system efficiencies. The GTE Team identified \$147,318,000 in cost savings from 1997 to 1999 and \$258,433,000 over a five-year period. Savings came from Information Technology Expenditures, Infrastructure Deployment, Student Services, and Support Costs. They estimate more and better service with the associated cost savings.

Implications for the CSU: The CSU budgets may then be available for either reinvestment in CETI or the CSU General Fund, in significant amounts.

Section 1.12 Entity Structure and Governance Plan

The proposed entity is a corporation with the percentage of stock ownership still to be finalized and negotiated. CETI as an entity will have a Board of Directors and a Chief Executive Officer with no employees. Subcontractors who will retain their full employment with their respective parent organizations will do all other work. At the completion of negotiations, the newly formed corporation will contractually commit to meeting and supporting the CSU objectives and schedules and will provide the capital to implement the infrastructure and operational support. The revenue stream from on-going operations will fund subsequent capital requirements for technology refresh. The amount of technology refresh will be a negotiated percentage of the operating profits of the corporation. Thus, the more the profitable CETI becomes, the more funds will be available for technology refresh.

The initial mix of capital from the above alternatives will be decided during negotiations. In any event, the GTE Team commits to ensuring that the necessary funds are acquired to meet the infrastructure build out requirements.

Implications for the CSU: The CSU and its partners are committed to the infrastructure initiatives with strong incentives to generate revenues and a rate of return on investment for the private partners. Together we can build-out of the infrastructure, and begin to leverage the assets and abilities of the CSU and perpetuate a strong regenerative cycle.

Section 1.13 Operations Plan

The Operations Plan has five major themes. They include:

- Uninterrupted access to the network (infrastructure) including knowledge resources, development, and security, on a 24 hour, 365 days per year basis.
- Appropriate training in using these resources.
- Access to systems, services, tools and utilities.
- Ubiquitous management and technical support
- Overlay the above with strong metrics, e.g. answer help desk calls within twenty seconds, meet or exceed a 99% threshold of availability.

Implications for the CSU: Existing unacceptable standards at the CSU will be raised, helping improve the quality of the educational mission and freeing previously tied-up resources to be redeployed in more productive areas.

Section 1.14 People Plan

CETI maintains retention of the human resources of the CSU as a high priority. As such, they will make every effort to ensure that full time CSU employees are retained in their current job classifications. In addition, they will allow them to maintain an identity with their parent organization and retain their seniority and full benefits.

As previously mentioned, CETI will not have employees and proposes subcontracting as the format for providing services. CETI further stresses a desire to use students whenever feasible in the sense of providing on-the-job training and providing internship programs with industry partners. CETI will also work with the CSU to provide a program of "for Credit" applications which the student employees can apply toward degree requirements.

Implications for the CSU: The GTE Team and the CSU attempt to blend two different cultures and out of respect for each others' principles and practices make this work to the strong advantage of all parties within the bounds of the technology initiatives and beyond in the sense that not only is the infrastructure stronger, but the people responsible for it are totally involved and respected.

Section 1.15 Assumptions, Risks and Contingency Plans

The GTE Team developed an excellent set of risk and risk mitigation strategies. Central to their planning is a set of overarching assumptions that provide the framework for their plan. While none of the assumptions are difficult to envision, they do reflect a concern that the access offered in the CSU value proposition of April 2, 1997 is delivered across all 22 campuses.

Implications for the CSU: The GTE Team has established a very aggressive build-out and refresh program, which should meet the needs of the CSU. The programs are, however, dependent on some unity on the part of the CSU and its 22 campuses. It will be important that the CSU act as one relative to the revenue generating activities and the aspects of the infrastructure which are considered "in-scope" in order to help mitigate the risks and achieve the potential of the partnership.

Section 1.16 Financial Plan

The GTE Team proposes a four-tier capitalization structure for CETI. More importantly, the GTE Team has committed to work through the capitalization issues with the CSU to assure success of CETI.

Highlights of the Business Plan are as follows:

- The GTE Team will invest \$36,000,000 into CETI primarily for working capital.
- The second source of capital will be in the form of leases for the infrastructure build out to CETI from an outside company. \$120,000,000 will be supplied in this fashion. In this approach, a company such as the GTE Team will build out a portion of the infrastructure for \$120,000,000 and then lease that infrastructure to CETI or CSU (depending on tax advantages) through a financial institution. The GTE Team strategy is that the cabling and physical plant equipment would be the leased portion of the infrastructure.
- The third source of capital will be in the form of bonds issued in a private placement. These funds, in the amount of \$180,000,000, will be used for building out the balance of the infrastructure.
- Starting in year four, a technology refresh cycle will begin which will upgrade the infrastructure on a recurring basis
- The GTE Team stated September 15, 1997, that while CETI would sign any borrowing documents for debt to build out the infrastructure, the commercial partners will guarantee these obligations for the infrastructure if required
- The financing for any debt to build out the infrastructure will be structured so that ultimately the CSU retains control of the infrastructure

Implications for the CSU: The financial plan shows a corporation that generates a positive net income in year four and reaches a cumulative break-even in year five. Cash flow is positive in all years except year two, during the infrastructure build out phase. Income is a reasonable 4.5% to 5% of revenues after projected taxes in later years. The main implication for the CSU is that now the infrastructure is possible and the funds to refresh it are in sight and the CSU can maintain and improve its ability to provide a good education to its students.

Section 1.17 Implementation Plan

The GTE Team proposes to supply the labor and materials necessary to install an industry compliant outside plant substructure system with:

- optical fiber, copper, and bonding cables as well as inside plant including voice and data cabling, voice, data, video and satellite service
- build out the infrastructure over a three year period, additionally note the campuses proposed for build out in Phase 2, in 1999 are: Long Beach, Pomona, San Bernardino, Sacramento, Stanislaus, San Francisco Dominguez Hills, Chico, Northridge, San Marcos, San Jose and WestEd
- Campuses proposed for Phase 3, in 2000, are: San Diego, Fullerton, San Luis Obispo, Los Angeles, Monterey Bay, Maritime, Sonoma, Humboldt, Bakersfield, Fresno, and Hayward.

Implications for the CSU: This system, once complete, will support communications technologies for current and future needs at all 22 CSU campuses.

Table B-1. CETI Products and Services

<i>Development of Educational Content</i>	
Continuing Education/ Certification - California.	Courses designed to fulfill the certification and/or continuing education credit required of California Teachers. Delivery via electronic means reduces classroom commitments and enhances consumer perceptions of value.
Continuing Education/ Certification - National.	Courses designed to fulfill the certification and/or continuing education credit required of teachers nationally. Delivery via electronic means reduces classroom commitments, enhances consumer perceptions of value and reduces geographic delivery barriers.
CSU Competency Exam Review Courses and Tests.	Electronically delivered remedial education courses designed to bring students to minimally accepted standards for math and English proficiency. Courses are comprised of self-tests and interactive support / explanation documentation.
Preventative Health Services.	Electronically delivered informational briefings designed in conjunction with CSU health sciences staff HMO administrators and HMO physicians. Targeted at nearly 1,000,000 California HMO patients referred to preventative medicine programs.
K-12 Educational Curriculum Development Programs.	Curriculum development tools designed for K-12 teachers seeking to integrate technology into lesson plans. Beyond "how to use a specific application," these lessons highlight "how to enhance learning using multiple applications."
Training Programs - Internal Partnership.	Varying courses developed in conjunction with CETI partners (CSU and industry) designed to provide both continuing education and degree-track programs for industry partner organization employees. Courses are designed for electronic delivery.
Training Programs - General Business Community.	Sale of CETI sponsored courses to the general business community. Programs designed to provide both continuing education and degree-track programs. Courses are designed for electronic delivery.
CSU Virtual University.	Electronic delivery of specific continuing education and degree-track courses. Virtual university courses are designed to supplement current programs. General education programs are most likely to be offered in this fashion. Fees charged will be incremental to existing tuition basis.
Federal Welfare to Work Programs.	Electronic programs designed to rapidly advance skill levels of welfare recipients. Programs can either be targeted at government agencies or to individuals.
Information Search Training.	Courses that train managers, analysts and clerical personnel to effectively research topics using the Internet and other electronic means. Course is designed for employees of resource constrained small and medium sized firms that do not have an internal research function.
Information Search Service (Reports).	Reports of topical or concentrated URLs (and other on-line sources) specific to a requested subject generated by CSU library staff (Librarian level supervising students). Service is provided on a subscription basis and marketed to small and medium sized firms that do not have an internal research function. Bundling with information search training is also expected.

Table B-1. CETI Products and Services (Continued)

Career and Student Development	
Resume & Career Services - Students.	Enhanced resume preparation, listing and retrieval system that is customizable to the student, including key word searchability (for employers). Program is funded by charging employers a nominal fee for access.
Resume & Career Services - Alumni.	Enhanced resume preparation, listing and retrieval system that is customizable to the student, including key word searchability (for employers). Program is funded by charging alumni a nominal fee for access.
Development of Telecommunications	
Student Off-Campus Internet Access (PPP Account).	Access to the CSU intranet, the Internet and an email account for students using modems. Service is priced at commodity Internet access rates, but provides numerous CSU proprietary and value-added improvements.
Faculty Off-Campus Internet Access (PPP Account) with enhanced services and local access.	Access to the CSU intranet, the Internet and an email account for students using modems. Service is priced at commodity Internet access rates, but provides numerous CSU proprietary and value-added improvements.
Staff Off-Campus Internet Access (PPP Account).	Access to the CSU intranet, the Internet and an email account for students using modems. Service is priced at commodity Internet access rates, but provides numerous CSU proprietary and value-added improvements.
Community ISP Service	Access to the Internet and an email for local community members using modems. Service is priced at commodity Internet access rates and available only in areas with a local CSU access number.
Community Off-Campus Internet Access (High-Capacity Connections).	Access to the CSU intranet, an email account and access to the Internet for students using high-capacity connections (T1 +). Service is priced at commodity Internet access rates, but provides numerous CSU proprietary and value-added improvements.
Systems Access Development, Process Development, and Systems Integration.	Campus specific and general applications development with a focus on integration of systems with the telecommunications infrastructure, automation, on-line interaction and productivity enhancement.
Help Desk Services on a 24-Hour Basis - Baseline.	24-hour access for university students and staff according to baseline standards. These standards include support for university specific application, proprietary materials and support specified by long-term maintenance agreements. Baseline functions also include initial screening for all university trouble reports.
Enhanced Campus Related Help Desk Services.	Services above baseline. These include support of non-standard equipment and/or configurations, support of non-standard software, and general non-supported maintenance issues. Function includes screening support for hardware/software repair services. Sold on a subscription basis.
Enhanced Non-Campus Related Help Desk Services.	Support of general community computing resources. Covers hardware, configuration, software & general maintenance concerns. Subscription based service with available per-incident rates.

Table B-1. CETI Products and Services (Continued)

Development of Telecommunications (Continued)	
Development of Video Course Drops Sites (such as Kinkos) for Video-Based Distance Learning.	Classes delivered via video conferencing equipment at established commercial sites. Class participants will generally include continuing education students and may number between 1 and 12. Enrollment fees are incremental to fees charges by the university. Classes marketed to the general public and current students.
Carry-In Computer Repair Depot Centers - Campus Related Consumers.	Full service repair facilities. No-charge for supported and contracted units. Monthly subscription (and per-incident charge) for unsupported uncontracted incidents.
Carry-In Computer Repair Depot Centers - General Public (CSU Proximate).	Full service repair facilities. Primarily pursue contracts with local organizations and consumers. Monthly subscription (and per-incident charge) for unsupported uncontracted incidents.
Commercial Products	
Intranet Search Engine Banner Advertising.	Ads placed on CSU intranet search engine, driven by key-word searches. Based on standardized search engine business models and sold on a monthly contractual basis to advertisers.
Site-Specific Ads on CSU Intranet.	Targeted ads placed on specific pages within the CSU intranet and/or Internet home pages. CETI acts as booking agents for site owner/designer/producer. Billed monthly to advertisers.
CSU Endorsed Products and Services - Local.	CSU Intranet Electronic Mall "where-to-go" ads. Billed on a monthly basis, with added charges for embedded maps, directions and special promotions.
CSU Endorsed Products/ Services - Electronic Mall.	CSU Intranet Electronic Mall "on-line purchasing" sites. Billed on a monthly or contractual basis. May include a per-transaction fee.
GTE Prepaid Calling Cards for Students.	Prepaid calling cards targeted at currently enrolled students. Sold in all increments (\$5.00 to \$50.00), with an expected peak purchasing rate for \$25.00 cards. Distribution accomplished by agreement between CETI and CSU Bookstores.
GTE Prepaid Calling Cards for Parents.	Prepaid calling cards targeted at parents or family members of currently enrolled students. Sold in all increments (\$5.00 to \$50.00), with an expected peak purchasing rate for \$50.00 cards. Distribution accomplished by agreement between CETI and CSU Bookstores and via direct mail (billing insert).
GTE Prepaid Calling Cards for Alumni.	Prepaid calling cards targeted at CSU alumni. Sold in all increments (\$5.00 to \$50.00), with an expected peak purchasing rate for \$50.00 cards. Distribution accomplished by partnering with alumni fund-raising groups via direct mail.
Cable TV with GTE mainStreet Enhancements	Enhanced cable service, including video-on-demand for CSU campus related and near-to-campus housing units. Charges are incremental to standard cable rates. Service may include video on demand for taped classes.
GTE Pager Accounts for Students.	Paging accounts for CSU students. May be bundled with Internet access (email notification) or other programs. Distribution accomplished by agreement between CETI and CSU Bookstores.
GTE Pager Accounts for Faculty (Private Use).	Paging accounts for CSU faculty. May be bundled with Internet access (email notification) or other programs. Distribution accomplished by agreement between CETI and CSU Bookstores.

Table B-1. CETI Products and Services (Continued)

Commercial Products (Continued)	
GTE Pager Accounts for Faculty (Department Provided).	Paging accounts for CSU faculty and or staff (paid by departments). May be bundled with Internet access (email notification) or other programs. Marketed directly to departments.
On Campus Common Data Port Access - Students.	Access to the CSU intranet, Internet and email from data ports located on campus (but not in designated computer labs). Access provided via high-speed connection (Ethernet, etc.). Service sold on monthly subscription basis, and is controlled via active password requirements (for gateway passage).
On Campus Common Data Port Access - Faculty.	Access to the CSU intranet, Internet and email from data ports located on campus (but not in designated computer labs). Access provided via high-speed connection (Ethernet, etc.). Service sold on monthly subscription basis, and is controlled via active password requirements (for gateway passage).
Student High-Speed Access (ADSL, ISDN, etc.).	Access to the CSU intranet, Internet, email and all other CSU computing resources via high-speed connections. Marketed primarily to graduate students and high intensity users.
Faculty High-Speed Access (ADSL, ISDN, etc.).	Access to the CSU intranet, Internet, email and all other CSU computing resources via high-speed connections.
Student High-Speed Access (ADSL, ISDN, etc.).	Access to the CSU intranet, Internet, email and all other CSU computing resources via high-speed connections. Marketed primarily to faculty, administrators, and high intensity users.
Lease Bandwidth to Local Communities.	T-1 connection to local community organizations such as Community Based Organizations (CBOs), K-12 school districts, and community colleges. School sales may be enhanced by upcoming E-rate and Teleconnect rulings.
Resell Software Products.	Resale of supported software programs. Typically, a web browser, word processing, spread sheet, presentation and any other CSU specified applications included in one suite. Resold through bookstores and departments.
University in a Box - Campus.	Complete student computing needs addressed in one box. Includes a desktop or laptop, required software, modem (and/or NIC card), and subscriptions to enhanced 24-hour Help Desk and depot centers (3-4 years or remaining time till graduation, whichever comes first). All computers are pre-configured and ready for use.
University in a Box - Alumni.	Complete general computing needs addressed in one box. Includes a desktop or laptop, and office suite software package, modem (and/or NIC card), and subscriptions to enhanced 24-hour Help Desk and depot centers. All computers are pre-configured and ready for use.
University in a Box - Other Educational Users (Community College Students, K-12, etc.).	Complete K-12 or community college student computing needs addressed in one box. Includes a desktop or laptop, and office suite software package, modem (and/or NIC card), and subscriptions to enhanced 24-hour Help Desk and depot centers. All computers are pre-configured and ready for use.



Table B-1. CETI Products and Services (Continued)

Commercial Products (Continued)	
DirecTV Distribution (Students, Faculty & Staff).	Sale and distribution of Hughes DirecTV to campus community members.
DirecTV Distribution (General Public, Alumni, Other).	Sale and distribution of Hughes DirecTV to the general public, alumni and other community of interest members. May be packaged as an affinity program or used for fund raising purposes.
DirecPC Distribution (Students, Faculty & Staff).	Sale and distribution of Hughes DirecPC to campus community members.
DirecPC Distribution (General Public, Alumni, Other).	Sale and distribution of Hughes DirecPC to the general public, alumni and other community of interest members. May be packaged as an affinity program or used for fund raising purposes.
Enhanced On-Line Service.	Enhanced on-line services such as real-time lecture notes, commerce services and enhanced search abilities. Similar model to AOL or Wall-Street Interactive, but tailored to the CSU student community.
Sale of Enhanced On-Line Service Platform.	Once established, a platform for enhanced on-line service can be sold to other colleges and universities.
Provide Phone Service to CSU.	Sale of CentraNet lines (for example) to CSU residences, departments and other offices.

B.2 CETI Segmentation Analysis

CETI will serve customers from a number of markets. From a general standpoint, the markets served by CETI fall into three basic groups: Category 1- Campus Linked Consumers (Students and Faculty), Category 2 - University Related Consumers (Alumni and Staff) and Category 3 -

General Public Consumers (Affiliated Organizations, General Public, Community-at-large). While members of a particular group share roughly similar needs, these categories can then be further disaggregated into homogeneous consumer segments. Table B-2 below provides the assumptions upon which these segments are based:

Table B-2. Key CETI Customer Segments

Category	Segment/Group	Description	Size
1	CSU Students	Full-Time Equivalent	230,000
1	CSU Students	Degree Track (State Supported)	336,000
1	CSU Students	Certification/Continuing Education	290,000
1	CSU Faculty	Full-Time Equivalent	18,000
1	CSU Dormitory Rooms	On-Campus, Owned (83% Occupancy)	20,750
1	CSU Campuses	All Administrative Telecom Functions	22
1	Partnership Organizations	Total Employment Base	360,000
1	CSU Prospective Students	Yearly Applications	275,000
2	CSU Staff	Full-Time Equivalent	19,200
2	CSU Alumni	In-Contact	800,000
2	CSU Alumni	Graduated	1,200,000

<p>California State University 50th Anniversary 1947 - 1997 Sacramento</p>	<p>Faculty Senate</p> <hr/> <p>CETI Information</p>	<p>California State University 50th Anniversary 1947 - 1997 Sacramento</p>
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SJSU Executive Committee:
 SJSU Academic Senators:
 CSU Academic Senators:
 Chairs of Campus Senates:
 Interested faculty:

Following is a DRAFT of a resolution expressing SJSU concerns about CETI. We expect the draft to evolve significantly over the following week prior to its distribution for debate at our next Senate meeting (November 3).

We are very interested in your suggestions and comments so that our Budget Advisory Committee can improve this resolution over the course of the next week.

Following the Resolution is the text of an article in our campus newspaper on faculty and staff reaction to the CETI visit. This may help outsiders understand the campus context for our resolution.

Please send comments and suggestions. We have borrowed freely from ideas we have seen circulated around the CSU.

Kenneth Peter
 Chair, SJSU Academic Senate

SAN JOSE STATE UNIVERSITY
 Academic Senate
 >From the Budget Advisory Committee
 Final Reading / November 3, 1997

A.S. _____

Action _____

**** Draft 3 ****

Please return comments ASAP (via email) to Senate Chair.

**SENSE OF THE SENATE RESOLUTION
 ON THE CALIFORNIA EDUCATION TECHNOLOGY INITIATIVE (CETI)**

Resolved, That the Academic Senate of San Jose State University express NO CONFIDENCE in the process which has given rise to the CETI business plan, due to its secretive nature, the extremely limited consultation with faculty and campuses, and the extremely short public response period; if the CETI plan is implemented, the CSU must not allow the exclusionary process which created the CETI plan to become a model for future CETI governance; be it further

Resolved, That the CETI proposal contradicts Cornerstones Principle 10, which we have endorsed, which states that "campuses shall have significant autonomy in developing their own missions, identities, and programs, with institutional flexibility...;" be it further

Resolved, That San Jose State University is open to further dialogue on ways in which the CETI proposal can be improved, but opposes formation of the CETI corporation until and unless the following specific concerns can be addressed:

1. Need for the elaboration of a CSU perspective.

A CSU Business plan, created openly and with full faculty, student, staff, and campus administrative participation, should be created to address the issues of a public/private partnership from a CSU perspective. This CSU Business plan should supplement the GTE Business plan and provide balance to the negotiations over an MOU. The business plan should garner the support of the statewide Academic Senate prior to ANY official formation of the CETI corporation.

2. Assurance of adequate faculty and campus review of an MOU.

After acceptance of a CSU Business plan, an MOU which elaborates and elucidates the relationship(s)

between CETI and the CSU, and which is fully responsive to the concerns raised by the proposed CSU Business plan (see item 1) as well as the Corporate Business plan, should be negotiated, published, and distributed for a three month comment period, not counting summer months, to allow for input from the campuses, campus Senates, and Statewide Senate, prior to any further implementation of the CETI project.

3. **Cessation of premature restrictions on ongoing technology efforts.**
There can be no good faith dialogue with the faculty and campuses over CETI unless the CSU takes seriously the possibility that it might need to reject the CETI proposal. Consequently, the current freeze on purchases of technology is premature and should be immediately lifted. Similarly, system directives to thwart or prohibit ongoing efforts to seek donations of technology or alternative public/private partnerships are inappropriate at this time. In short, we are unwilling to abandon our own campus based technology efforts in favor of CETI management until there are adequate assurances from the appropriate agencies and the Legislature of CETI's regulatory, legal, and political viability.
4. **Explanation of how CETI will effect CSU relations with CETI competitors.**
More specific information is required as to how CETI will affect future industry/university relations such as hardware and software donations, student training for the local workforce, meeting regional needs (such as the needs of local corporations that compete with and/or have incompatible computing platforms with the corporate partners in CETI.) San Jose State has regional responsibility to help train the future workforces of Apple, Sun, Netscape, 3-Com, Cisco, Pacific Bell, and many other competitors to the CETI group..
5. **Strategy to avoid "compensatory reduction" in funding by Legislature.**
While a public/private partnership may provide a viable strategy for dealing with the CSU's future technology needs, we would require a specific structure which assures that the profits from such a partnership cannot result in a compensatory reduction by the Legislature of other public funds to the CSU. We fear that profits from CETI will become an analogue to Lottery Funds, which have all too often been used not to supplement but to replace other state funding.
6. **Guarantee of collegial campus autonomy in the protection of privacy and intellectual property.**
The autonomy of campuses in setting their own regulations concerning privacy of electronic communications and protection of intellectual property, and specifically to give higher degrees of protection in these venues than the minimum required by law, should not be infringed.
7. **Guarantee of collegial campus control of the curriculum.**
All campuses, though their systems of collegial governance, should maintain the same measure of control over their curriculum that they currently enjoy. This must include the ability to determine if courses offered by other universities through any "virtual university" meet the campus's own curricular standards.
8. **Control of CETI governance commensurate with the magnitude of the CSU contribution.**
The CETI governance structure should assure the CSU of control of the corporation commensurate with its contribution to the partnership; if access to the intellectual capital of the University is promised, or if exclusivity over the CSU market is awarded, then the CSU must be accorded majority control of CETI on the principle that such a contribution is far more valuable than the limited corporate financial contributions. Obviously, these details must be settled before a fair governance structure can be determined, and determining governance prior to determining the magnitude of contributions would be highly imprudent.
9. **Need for educational goals to take primacy over marketing goals.**
The CETI proposal needs to analyze the potential for technology not exclusively from the standpoint of market share and feasibility but more from the standpoint of educational appropriateness. For example, the specific references to "General Education" as a primary target for the development and distribution of "courseware" should be deleted; since GE courses tend to require face-to-face interaction and/or be skill based rather than knowledge based, they may often be poor candidates for distance learning. We suspect the reference to GE is based upon a desire to tap into large markets of students rather than upon sound pedagogical analysis.
10. **Need for analysis of the ethical dilemmas formed by public/private partnerships.**
The use of "incremental fees" over and above standard fees must not be allowed to result in a two-class educational system in which only wealthier students can afford technological access to curriculum. We are therefore suspicious of any incremental fees to be charged for curriculum taken as part of a regular degree program of the CSU during a standard session, regardless of the means of delivery employed. Even beyond the provision of the standard curriculum, we continue to have serious ethical questions concerning the public/private partnership. The ethical issue of whether profits should be generated for out-of-state and private corporations by California's public employees needs to be fully resolved before proceeding with plans for marketing other curriculum (aka "courseware").
11. **Guarantee of due process for unionized employees.**
Technology staff or members of any CSU unions should not become subcontracted employees without proper due process; it would be imprudent for SJSU to suspend its own campus-activities and replace them with CETI management while this issue threatens to destroy the legal foundation of the proposed corporation.
12. **Explanation of degree and level of standardization.**
The issues of standardization need considerable elucidation to allay the fears of faculty, staff, and students. Some standardization of desktop facilities may be necessary for baseline technology; we desire specific assurance that such standardization will not effect enhanced technology issues and the need to tailor technology choices to specific pedagogical and research needs.
13. **Analysis of the financial impact upon campus Continuing Education efforts.**
While the CETI plan may provide the means for much widespread delivery of continuing education curriculum, it may also provide the means whereby future continuing education funds are shared with corporate partners. These issues must be more precisely explained and resolved.