

Nebraska Universal Service Advisory Board Meeting
Public Service Commission Hearing Room
The Atrium, 1200 “N” Street
Lincoln, Nebraska
April 17, 2013

The Nebraska Universal Service Advisory Board met April 17, 2013 at the Public Service Commission Hearing Room, 300 The Atrium, 1200 N Street in Lincoln, Nebraska.

Absent a current Chair of the Advisory Board, NTIPS Director Sue Vanicek called the meeting to order at 2:05 pm. The following board members were present:

David Rosenbaum;
Doc Wininger;
Dennis McIntyre;
SueAnn Witt;
John Felton;
Loren Duerksen; and
Dale Gibbs

Present from the Public Service Commission were Sue Vanicek, Shana Knutson, Laurie Casados and Tyler Frost.

The Board went through member introductions with five new board members being introduced; Doc Wininger as a telecommunication carriers representative, Dennis McIntyre as the public representative, SueAnn Witt as the schools representative, John Felton as the library representative, and Dale Gibbs as the rural health care representative. With member introductions Quorum status was established.

Election of Board Chair and Vice-Chair

The first order of business was the election of a new chair of the board, as the previous chair of the board reached his term limit. A motion was made by David Rosenbaum to elect himself chair. The motion was seconded by Ms. Witt. Upon agreement by all members the motion carried.

A motion was then made by Mr. Wininger to elect Loren Duerksen as the vice-chair of the board, which was seconded by Mr. Gibbs. Upon agreement by all members the motion carried.

Terms of Board Members and Re-appointments

Discussion ensued on the term limits of current Board members and it was determined that no current members were at their term limit and there were no necessary re-appointments to consider.

Approval of Minutes from May 2, 2012

A motion was made by Mr. Duerksen and seconded by Mr. Rosenbaum to approve the minutes from the May 2, 2012 Advisory Board Meeting. Upon agreement of all board members present, the minutes were approved as presented and the motion carried.

Discussion of the FCC's NPRM on Contribution Reform

Ms. Knutson provided a background to the board on the FCC's NPRM on Contribution Reform. She noted that in November 2011 ~~the FCC reformed the federal~~~~the FCC began looking at reform of the federal~~ universal service fund and as part of that process they are also looking at contribution reform for the federal fund. Ms. Knutson stated that this is a matter that the Nebraska Commission is keeping a close eye on as the decisions would play into how the state operates due to the nature of the interstate/state split on assessment of different revenues. She explained how the FCC is exploring changes to the current contribution system, which is based on end user revenues. The FCC has sought comment on alternative options such as one based on the number or connections or phone numbers or some hybrid of the two or other options from commenters on a viable contribution system. The NPRM also seeks comment on what types of entities should contribute to the fund and the types of revenues that are assessable.

Ms. Knutson informed the board that the Nebraska Commission has submitted comments on this matter, showing support for a hybrid approach, asking the FCC to recognize the role that states play in the process, be aware that a switch to a numbers based contribution methodology could end up pre-empting states, allow states to assess the same types of services, ensure the funding base would be consistent and to exempt lifeline subscribers from assessment.

Schools, Libraries, and Health Care Activities Report

Ms. Witt overviewed the e-rate application process and status for FY2012-2013 for schools and libraries, noting the numbers of applications submitted and discounts received for the funding year. She pointed out that there would have been over \$15 million in costs that schools would have had to pay absent the e-rate funding and noted that priority 1 schools received over \$10 million in e-rate funding. Ms. Witt informed the board about the FCC seeking comments on the eligibility of bundled components under the schools and libraries program, clarification on the current standard for cost allocation, and the need for further clarification on ancillary components. She also informed the board on the retirement of Senator Rockefeller, whom was a big proponent of e-rate. Mr. Wininger inquired if there have been any meetings with newly elected Senator Fischer to which Ms. Witt replied that there were advocacy plans in place that would involve contacting her.

Mr. McIntyre inquired about data and efforts to get broadband to the home. Discussion ensued on if it is the school's responsibility to get broadband connections to student's homes and what current federal and state grants are ongoing to support these overall efforts of broadband to the home.

Mr. Felton reported on library activities, noting that currently only 42% of the public libraries apply for federal e-rate funding. He stated that they would like to see these numbers increase. He informed the board that they are currently using \$3.6 million in monies received for broadband expansion, but are also working with libraries on e-rate training so they know how to

sustain their networks when the grant is over. Mr. Felton discussed the fact that 58% of the libraries in Nebraska serve communities with less than 1,000 people and many of those communities are currently able to get their internet for free through proximity to other paid networks, but efforts are underway to work with these very small communities on applying for e-rate so that available speeds can be increased.

Mr. Gibbs provided an update on healthcare activities. He noted that healthcare is making moves toward using broadband to move some healthcare activities to the home as even with telehealth between rural and urban hospitals some very rural patients still have to travel very long distances to their closest rural hospital. He stated that the Center for Medicare and Medicaid services (CMS) is actually incentivizing hospitals to help make this occur. Mr. Gibbs noted that home health agencies have employed this type of business model for certain types of services for some time now and it has proven to produce costs savings. Mr. Gibbs reported about the ongoing need for telehealth services in Nebraska and how it continues to open up the availability of specialists to those in rural areas of the state. Mr. McIntyre inquired about usage statistics on the area, to which Mr. Gibbs replied that there is an annual or semi-annual report put together to show usage numbers across the network.

Ms. Casados provided the board an overview of the new Healthcare Connect fund that the FCC released at the end of 2012. She noted how this is a new program that will run side by side with the regular rural health program until eventually the regular program is phased out over a period of time. This new funding program addresses some of the limitation the regular program has in regards to the types of technologies that can receive funding. The new Healthcare Connect fund also provides funding for both infrastructure build out as well as monthly recurring costs of the lines, with the healthcare site responsible for 35% of the costs. She also noted that sites can now file as a consortium of hospitals to take advantage of group discounts as well, with funding starting in July 2013 for those that have previously received funding through the separate pilot program and January 2014 for all others. Mr. Gibbs informed the board that the Nebraska Statewide Telehealth Network was currently in the process of getting their hands around this new program and will be looking at submitting an application under this new program in 2-3 funding years. Mr. Gibbs stated that there is a concern about the 35% responsibility for all costs and what type of a burden that may cause for the network.

Nebraska Telephone Assistance Program Update

Ms. Vanicek informed the Board that the new federal support rate for lifeline of \$9.25 went into effect in 2012, with the state still providing the \$3.50 per subscriber. She also noted that the Commission is now using two new programs to assess eligibility for the program; TANF and income at or below 135% of the poverty line. Ms. Vanicek stated that the Nebraska application has now been scaled back to 4 pages. She added that the re-certification process that the FCC is now requiring has added a significant amount of time for staff to do since the entire database must be done every year. Ms. Vanicek noted that the addition of some new wireless carriers has drastically increased the number of applications for the program as well. She informed the board that the application has also now been put online for people to complete. Ms. Witt inquired about where these low income subscribers would go to complete this if they don't have a computer. Ms. Vanicek replied that computers are available at public libraries and other public facilities and a few carriers have also stated they have laptops available for customers to

complete this at the storefront. The program is also exploring working with some outreach centers through HHS.

Dedicated Wireless Program Report

Ms. Vanicek noted that the NPSC had implemented a requirement that the cell sites receiving funding under this program had to be broadband capable. She informed the board that since the program's inception 66 cell towers had been built with funds from this program. She also noted that it has been determined that this program (NUSF-69) and the Nebraska Broadband Pilot Program (NUSF-77) will be merged and the Commission is currently working out the details of how this will occur.

Nebraska Broadband Pilot Program Report

Ms. Vanicek informed the board that last year was the first year for this program, with \$4 million available for funding and a minimum of a 25% match requirement from applicants. She noted that last year seven carriers applied for funding with a total of 17 different broadband projects. She noted that for the current year in which the Commission is in the process of reviewing applications there were 16 carriers that applied for funding with a total of 60 different projects to be considered for the \$4 million in available funding.

Discussion ensued by board members in regards to the broadband mapping project. Mr. McIntyre noted that the map only shows availability, not affordability for consumers. Mr. Wininger replied that currently the effort is to get broadband available everywhere and then address the issue of affordability. Ms. Vanicek noted that the FCC has just begun implementing some of the broadband pilot programs which offer various discounts on service and/or equipment.

NUSF-4: Discussion Regarding NUSF Surcharge

Ms. Vanicek notified the board that the fund currently has a balance of \$29 million with about \$13.9 million of that already earmarked for support approved but not paid for the broadband pilot program and the dedicated wireless program, and another \$5 million in funding that is earmarked for the 2013 dedicated wireless applications.

Ms. Vanicek stated that the remittances are currently declining at a rate of about 1-3% per year which seems to be consistent with what has been reported on the national level as well. She also noted that this most recent year the Commission cut back on the support available for the high cost program due to this decline in revenues. Mr. Duerksen inquired what would happen if the surcharge was lowered, to which Ms. Vanicek replied that there would have to be cuts across all supported programs if that would occur.

A motion was made by Ms. Witt and seconded by Mr. Felton to recommend leaving the surcharge at 6.95% for the upcoming fiscal year. Upon agreement of all board members present, the motion carried.

Other Business

Adjourn

A motion was made by Mr. Duerksen and seconded by Mr. Gibbs to adjourn. Upon agreement of all board members the meeting adjourned at 3:30 pm.