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September 12, 2025

Universal Service Fund Working Group  
c/o Senator Deb Fischer  
448 Russell Senate Office Building  
Washington, DC 20510

**Re: Universal Service Fund Working Group Request for Comment**

Dear Senator Fischer:

The Nebraska Public Service Commission (“NPSC”) hereby submits this letter in response to the Universal Service Fund Working Group’s Request for Comment issued on August 1, 2025. The NPSC previously submitted comments to the Universal Service Fund (“USF”) Working Group on August 23, 2023 (“August 2023 Comments”).<sup>1</sup> The NPSC has not changed its position on the matters set forth in its August 2023 Comments, and incorporates those comments by reference. However, for additional background and for the purpose of updating the record, responses to select questions posed by the Working Group in the August 1, 2025 Request for Comment are listed below.

*1. Overview of Nebraska Universal Service Fund*

The NPSC administers a Nebraska Universal Service Fund (“NUSF”).<sup>2</sup> The purposes of the NUSF are substantially similar in nature to the goals of the federal USF.<sup>3</sup> The NUSF provides supplemental funding to telehealth providers, E-rate special construction funds,

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<sup>1</sup> A copy of these comments is available at <https://psc.nebraska.gov/sites/default/files/doc/NPSC%20Comments%20for%20USF%20Working%20Group%20%28final%29.pdf>.

<sup>2</sup> See NEB. REV. STAT. § 86-317. The NUSF is designed to supplement federal universal service support mechanisms and ensure that all Nebraskans, without regard to their location, have comparable accessibility to telecommunications services at affordable prices.

<sup>3</sup> Compare 47 U.S.C. § 254 with NEB. REV. STAT. § 86-323.

Lifeline, funding for wireless towers, and high-cost ongoing and project support.<sup>4</sup> These programs work in conjunction with federal programs, and often provide supplemental funding to increase the overall amount of support received by companies and consumers. In administering these programs, the NPSC relies heavily upon work performed at the federal level in program design, mapping, and calculating the support available to recipients.

The NPSC's companion programs to federal USF programs have allowed us to extend substantial amounts of aid. We have supported projects to bring broadband-capable voice networks to nearly 24,000 unserved Nebraska households since 2019 with High Cost Funds.<sup>5</sup> We have also committed \$1 million to E-Rate Special Construction projects in Nebraska to date, and continue to accept applications for funding.<sup>6</sup> In our current grant cycle for Telehealth funding, we have received 475 applications, for a total of \$2.3 million in funding.<sup>7</sup> Nebraska Telephone Assistance Program participants can receive an additional \$3.50 per month towards telephone support.<sup>8</sup> The NPSC also funds wireless cell towers through the NUSF, and has supported the construction of 202 towers, with 30 additional towers still in progress. NUSF programs act to supplement the federal USF High Cost, E-Rate, Healthcare Connect Fund, and Lifeline programs, respectively.

We believe each of the above-described programs is important to the welfare of Nebraskans. Federal USF programs and guidance are essential to these state programs. The NPSC supports the continuation of the existing federal USF programs, as well as continued support and guidance to states administering state high-cost programs.

*2. What reforms would ensure that the USF contribution factor is sufficient to preserve universal service?*

The USF contribution factor has grown to unsustainable levels. In the third quarter of 2025, the contribution factor is 36%.<sup>9</sup> Pursuant to 47 U.S.C. § 254(d) and 47 CFR § 54.706(b),

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<sup>4</sup> See generally NPSC Dockets Nos. NUSF-99, NUSF-108, and NUSF-117.

<sup>5</sup> Detailed information regarding NUSF high cost programs can be found here: <https://psc.nebraska.gov/telecommunications/high-cost-information>.

<sup>6</sup> See NPSC Docket No. NUSF-117. Additional information is available here: <https://psc.nebraska.gov/telecommunications/nebraska-e-rate-special-construction-matching-fund-program-nusf-117>.

<sup>7</sup> See NPSC Docket No. NUSF-57. Additional information is available here: <https://psc.nebraska.gov/telecommunications/nusf-57-telehealth>.

<sup>8</sup> Currently, Lifeline provides support at the federal level up to \$9.25 per month or \$5.25 per month for voice only. Nebraska's Lifeline program supplements this with an additional \$3.50 per month for eligible participants subscribing to voice service. To the extent that the continuation of the federal Lifeline program remains in question, the NPSC supports the continuation of voice-only support within the federal Lifeline program.

<sup>9</sup> Public Notice, CC Docket No. 96-45, Proposed Third Quarter 2025 Universal Service Contribution Factor, DA 25-

every telecommunications carrier providing interstate service is required to contribute to the USF based on the 36% contribution factor.<sup>10</sup> This amount is generally passed through to customer bills, who pay the amount due to the telecommunications carrier before it is remitted to the USF. In essence, these consumers are subject to a 36% – and rising – markup on telecommunications services to support the fund. At present, the services subject to the USF contribution factor do not include most broadband internet access services.<sup>11</sup>

In its August 2023 Comments, the NPSC described changes it made to the contribution mechanism for the Nebraska Universal Service Fund. We will reiterate those comments here. In Nebraska, NUSF remittance levels declined at a rate of over 2 percent per year between 2009 and 2014.<sup>12</sup> Starting in 2014 and extending through 2018, the NPSC observed year over year declines in remittances that ranged between 5% and 13%. Finding the decline in remittance levels unsustainable, the NPSC moved to a connections-based NUSF surcharge mechanism in 2019.<sup>13</sup> By doing so, the NPSC sought to achieve stability and predictability – both for the industry, in the amount of surcharge levied, and for the NUSF, in the amount of funding available annually. The adoption of a connections-based surcharge has achieved these goals. Since the connections-based surcharge has been implemented, the largest reduction in surcharge revenue year to year was 2%. Given the success of this change for Nebraska’s fund, the NPSC would support a similar change to the USF contribution mechanism at the federal level as well.

The NPSC understands that many parties have offered differing ideas as to how to modify the contribution base and resulting contribution factor. From a policy standpoint, the

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475 (June 11, 2025).

<sup>10</sup> See 47 CFR § 54.706(b) (“Except as provided in paragraph (c) of this section, every entity required to contribute to the federal universal service support mechanisms under paragraph (a) of this section shall contribute on the basis of its projected collected interstate and international end-user telecommunications revenues, net of projected contributions.”).

<sup>11</sup> See Coleman Bazelon, Paroma Sanyal, and Yongjoon Paek, *The Economics of Universal Service Fund Reform*, THE BRATTLE GROUP (Aug. 24, 2023), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4912684](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4912684) (“Brattle Report”), at 7.

<sup>12</sup> NPSC Docket No. NUSF-100/PI-193, *In the Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the universal service fund contribution methodology*, Order (Oct. 31, 2017) (“NUSF Contributions Order”), at 26.

<sup>13</sup> NPSC Docket No. NUSF-111/PI-211, *In the Matter of the Nebraska Public Service Commission, on its own motion, to determine a rate design and address implementation issues with a connections-based contribution mechanism*, Order (Aug. 7, 2018), at 27-28. The NPSC initially only adopted a connections-based contribution mechanism for residential wireline, wireless, and VoIP services. However, in 2021, the NPSC expanded the connections-based contribution mechanism to include business and government user mobile activation and usage charges, business and government user local exchange services, and business and government user VoIP services. Fixed local private line, radio paging, alternative access and directory, switched toll, toll private line, and other toll private services remain on a revenue-based mechanism. NPSC Docket No. NUSF-119/PI-231, *In the Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the contribution methodology and determine a rate design for services currently subject to a revenues-based surcharge*, Order (May 11, 2021).

NPSC notes that the class of telecommunications customers most affected by the high levels of the USF surcharge may not be the class of customers who are most benefiting from USF support. Subscribers to traditional wireline and wireless telecommunications services receive the surcharge on their bills. However, today, the USF supports much more than traditional telecommunications networks. The support distributed by the USF now also goes to the development and maintenance of broadband-capable networks through programs such as the Rural Digital Opportunity Fund (“RDOF”), Enhanced A-CAM, and Broadband Loop Support “(CAF-BLS)” programs. Subscribers to new broadband networks funded through the USF may not be contributing to the fund if they do not still subscribe to traditional telecommunications networks. Additionally, the overall number of subscribers contributing to the USF has narrowed significantly as new forms of communications services become more popular.<sup>14</sup>

The NPSC has heard commentary from some parties arguing that assessing the USF surcharge on edge providers, such as cloud services, would result in negative economic impacts.<sup>15</sup> While the NPSC does not wish to downplay this concern, we also believe it is critical to understand the negative economic impact of the current, extremely high USF contribution rate. Every telecommunications company remits to the USF, causing a rapidly narrowing class of customers to pay an ever-growing surcharge. The NPSC believes that the contribution base should be expanded to include those who benefit the most from networks built with USF funding. Some economic analysts have projected that the contribution factor could fall below four percent if broadband internet access service revenues were included in the contribution base.<sup>16</sup> While a greater number of total providers and customers would contribute to the USF, the amount they would be required to contribute could be reduced to approximately one-tenth of the current level. The positive economic impact of such a change should not be discounted. The NPSC therefore supports a broadening of the contribution base for the USF.

Some parties have proposed funding the USF through Congressional appropriations rather than by its current contribution mechanism.<sup>17</sup> The NPSC cautions against this approach, as

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<sup>14</sup> See FCC, Federal-State Joint Board on Universal Service, Universal Service Monitoring Report 2024, CC Docket No. 96-45 *et al.*, (FCC, Jan. 15, 2025), (Data Through Sept. 2024) (2025 Monitoring Report), Table 1.5 at 17 (showing that the contribution base has steadily decreased between 2014 and 2023).

<sup>15</sup> See, e.g., Raul Katz, *Economic Impact of the Imposition of a Universal Service Fund Obligation on Cloud Services in the United States*, COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION (June 2025), <https://ccianet.org/research/reports/imposition-of-usf-obligation-on-cloud-services/>.

<sup>16</sup> See Brattle Report, *supra* note 11, at 3 (estimating that expanding the contribution base to include broadband internet access service revenues would lower the effective USF fee to 3.7%); Carol Matthey, *FCC Must Reform USF Contributions Now: An Analysis of the Options*, US FORWARD (Sept. 2021), available at <https://www.ntca.org/sites/default/files/documents/2021-09/FINAL%20USForward%20Report%202021%20for%20Release.pdf> (projecting that reforming the current revenues-based system to include broadband internet access service revenues would result in a contribution factor of less than four percent).

<sup>17</sup> See, e.g., U.S. CHAMBER OF COMMERCE, *Letter to Congress on the Universal Service Fund (USF) Working Group* (Aug. 29, 2023),

stable, predictable USF funding is essential for the services it provides. Customers relying on Lifeline must be able to receive uninterrupted service. Moreover, stable funding is a high priority for rural telecommunications carriers. These carriers rely heavily on the Fund to ensure they can provide service to those customers who would otherwise be economically impossible to reach. The possibility of USF funding being diminished, or being subject to pauses during times of budget negotiations, would throw both customers and the industry into upheaval. Additionally, appropriate contribution reform should make such a step unnecessary. The NPSC therefore recommends retaining the current contribution-based approach to funding the USF, but with a wider contribution base.

3. *What reforms would reduce waste, fraud, and abuse in each of the four USF programs?*

Previously, in its 2023 Request for Comment, the Working Group asked whether Eligible Telecommunications Carrier (“ETC”) designation should be required for the receipt of USF subsidies. The NPSC continues to strongly support this requirement. The state ETC designation process is essential to ensure that both state and federal funds are distributed to carriers with adequate financial and technical resources. This process is, from a state perspective, an essential tool to prevent waste, fraud, and abuse in the USF. For this reason, the NPSC encourages the Working Group to avoid lessening states’ role in the ETC designation process.

In its August 2023 Comments, the NPSC highlighted one recent example of the importance of state ETC designation, which we will reiterate here. In the RDOF Auction, one bidder received significant preliminary awards, including areas in Nebraska. However, that carrier was unable to obtain ETC designation in Nebraska and other states following the preliminary award due to concerns about its technical ability to actually provide service to customers.<sup>18</sup> The FCC’s Wireline Competition Bureau then determined that the bidder could not comply with the requirements of RDOF, a decision which prevented the waste of RDOF funding. The NPSC believes the states’ role in reviewing RDOF bidders for fitness to receive an ETC designation prevented harm to consumers. We therefore continue to urge lawmakers to retain the state ETC designation process.

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[https://www.uschamber.com/assets/documents/ctec/083023\\_Chamber\\_Response\\_USFWorkingGroup.pdf](https://www.uschamber.com/assets/documents/ctec/083023_Chamber_Response_USFWorkingGroup.pdf); Tom Schatz, *CCAGW Comments to Universal Service Fund Working Group*, CONCERNED CITIZENS AGAINST GOVERNMENT WASTE (August 24, 2023), <https://www.ccagw.org/legislative-affairs/letters-officials/ccagw-comments-universal-service-fund-working-group>.

<sup>18</sup> See NPSC Docket No. C-5256/NUSF-130, *In the Matter of the Application of LTD Broadband LLC, Las Vegas, Nevada, seeking designation as an Eligible Telecommunications Carrier in the State of Nebraska*, Order Denying Application for Eligible Telecommunications Carrier Status (Dec. 14, 2021); *In the Matter of Application for Review of LTD Broadband, LLC; Denial of Application for Rural Digital Opportunity Fund/Auction 904*, WC Docket 10-90 et al., Order on Review (Dec. 4, 2023), FCC 23-103; *LTD Broadband, LLC v. FCC*, 2025 WL 1559866 (June 3, 2025) (denying LTD’s appeal from the FCC decision).

4. *What actions would improve coordination and efficiency among USF programs and other FCC programs, as well as broadband programs housed at other federal agencies?*

The NPSC supports measures to improve coordination and efficiency between all agencies distributing support for high-cost programs and broadband deployment. From a state perspective, a key factor in this effort is open communication and the availability of high quality data. Increased work between the FCC and the Federal-State Joint Board on Universal Service would be an excellent opportunity to improve coordination among interested parties. This Board has the ability to coordinate state and federal efforts, and to ensure that funds are properly utilized, accounted for, and are not duplicated. The NPSC encourages a revitalization of the Board for these purposes.

With regard to mapping data, the NPSC would support additional measures to ensure states are able to determine which locations have received funding from a high-cost program and at what funding levels. The Broadband Data Collection (“BDC”) mapping effort has been a significant positive step towards effective communication, and the NPSC would support further development of the BDC map as a means to accurately assess distributed support and progress towards full broadband deployment.

The NPSC encourages policymakers to set long-term, forward-looking goals for all technology built with public funds. The deployment of infrastructure to high-cost areas is a multi-year process. Technology standards for programs meant to support these areas should be set to a high level in order to ensure that providers will not need to rebuild to those same supported areas within a short period of time. We note that in Nebraska, NUSF funding can only be issued for new infrastructure capable of delivering speeds of 100/100 Mbps.<sup>19</sup> This requirement effectively ensures that new infrastructure built with public funds uses sustainable technologies such as fiber-optic networks to replace outdated copper facilities.

Finally, policymakers should consider the term of support when setting eligibility requirements for funding. Future capacity demands should be a key consideration when setting program benchmarks. For example, if a term of support is for ten years, the technology built with that support should be designed to be competitive through that entire ten-year period. Additionally, programs which support high-speed middle mile backhaul must be scalable to future demands in order to support the growing development and use of precision agriculture technology. Public funds should be used to provide high quality, forward-looking service, not the bare minimum.

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<sup>19</sup> NEB. REV. STAT. § 86-324.01.

5. *Is the USF administrator, the Universal Service Administrative Company (USAC), sufficiently accountable and transparent? Is USAC's role in need of reform?*

The NPSC feels that USAC has been helpful to our commission. USAC's website is straightforward to navigate and the information necessary for the NPSC to administer its programs is readily available. The NPSC notes that USAC has offered webinars on its programs, such as Lifeline, which have been helpful to our staff. Should any changes be made, the NPSC would suggest making dedicated USAC staff available as a communications point for states and other federal agencies in order to increase coordination and efficiency. However, in general, the NPSC is satisfied with the accountability, transparency, and diligence of USAC and its staff.

6. *Conclusion*

The NPSC appreciates the continued efforts of the Working Group and welcomes further discussion on all of the above topics. Please contact our office if you have any questions.

Sincerely,



Tim Schram, Chair  
District 3  
Nebraska Public Service Commission