

Nebraska Universal Service Advisory Board Meeting Friday, April 22, 2022 – 10:00 AM

The Nebraska Universal Service Advisory Board met April 22, 2022. The meeting was held as an in-person meeting with web participation.

Gene Hand, Chair of the Advisory Board, called the meeting to order at 10:00 a.m. Chair Hand stated that a copy of the Nebraska Open Meetings Act is posted in the Commission Hearing Room and on the Nebraska Public Service Commission website.

The Board went through member roll call with all Board members present announcing their presence. Quorum status was established. The following Board members were in attendance in-person:

Gene Hand
Chris Johnson
Gary Needham
Rod Triplett
Carrie Gans

Advisory Board members in attendance virtually were Ben Backus, Al Lubeck, and Christa Porter. Interested parties in attendance virtually were Alison Earnhardt, Brian Thompson, and Joselyn Luedtke.

Present from the Public Service Commission were Cullen Robbins, Sallie Dietrich, Joshua Edgar, Brandy Zierott, and John Monroe. Attending virtually were Victor Kapustin, Dohee Kim, and Laurie Casados.

Approval of Agenda

Rod Triplett made a motion to approve the agenda, seconded by Gary Needham. Upon roll call vote of all Board members present, the motion passed unanimously with Board members Hand, Johnson, Needham, Triplett and Gans in favor.

Introductions

Board members and other in-person attendees introduced themselves and stated their past and current position and experience.

Election of Chair and Vice-Chair

Carrie Gans made a motion to retain Gene Hand as Chair, seconded by Chris Johnson. Upon roll call vote of all Board members present, Hand, Johnson, Needham, Triplett and Gans the motion passed unanimously with Board members voting in favor.

Chris Johnson made a motion to retain Christa Porter as Vice-Chair, seconded by Carrie Gans. Upon roll call vote of all Board members present, the motion passed unanimously with Board members Hand, Johnson, Needham, Triplett and Gans voting in favor.

Approval of Meeting Minutes from April 23, 2021 Meeting

Gene Hand asked the Board for any corrections or addition to the meeting minutes from April 23, 2021. No response was received. Motion made by Carrie Gans to approve the minutes, seconded by Rod Triplett. Upon roll call vote of all Board members present, the motion passed unanimously with Board members Hand, Johnson, Needham, Triplett and Gans voting in favor.

School and Libraries Report

Schools Report: Gary Needham updated the Board on E-rate activities for Nebraska schools. Mr. Needham stated that Nebraska schools have traditionally participated very strongly in the E-rate program.

E-rate Category 1 (Telecommunications Services) applications were up about \$500,000 in 2021, however for 2022, applications have declined about \$1 million from the previous year to \$7.7 million. No funding commitments for 2022 have been released, but Nebraska schools traditionally average 68% of costs reimbursed by USAC.

E-rate Category 2 (Internal Connections) applications are funded based on a 5-year budget from July 2021 through June 2026. Nebraska schools have applied for approximately \$21 million of the \$41.5 million, with approximately \$9 million being approved.

Mr. Needham provided information about the Emergency Connectivity Fund (ECF) administered by USAC, which allows schools to receive reimbursement for the cost of home broadband services and remote learning devices. As of April 7, 2022, Nebraska schools and libraries have received nearly \$6 million in funding through ECF.

Mr. Needham announced that Christina Struebing has been hired as the new NDE E-rate Coordinator.

Libraries Report: Christa Porter reported on E-rate activities for Nebraska libraries. USAC has yet to release funding for the first wave of E-rate applications in 2022. The final count was 65 Nebraska libraries applying for a total of \$353,455.33, with 64 applications for internet assistance, 2 applications for internal connectivity, 2 applications for basic maintenance and 1 application for managed internal broadband services.

Ms. Porter stated that libraries in Bancroft, Bayard, Beatrice, Clay Center, Verdigre, and Wymore were approved by the Commission to receive Fiber Special Construction in 2021. In 2022, the libraries in Kimball and Lodgepole have applied.

Ms. Porter provided a further breakdown of Category 1 and 2 funding approved for libraries in Nebraska. Category 1 services provide connections to schools and libraries (data transmission services and internet access and voice services). Category 2 services deliver internet access within schools and libraries (internal connections, basic maintenance of eligible internal connections, and managed internal broadband services). While the annual funding amounts for Nebraska entities varies from year

to year, in terms of Category 2 funding the average discount percent approved by USAC continues to trend upwards from 48% in 2016-2017 to 74% in 2021.

The Emergency Connectivity Fund (ECF) funded by the American Rescue Plan Act (ARPA) and the application criteria was explained by Ms. Porter. Two filing windows were established in 2021 to apply for equipment and services received between July 1, 2021 and June 30, 2022. The service delivery date for applications filed in the first two filing windows was extended from June 30, 2022 to June 30, 2023. A third filing window will open on April 28, 2022 thru May 13, 2022, because of high funding demand. In the first two filing windows, 23 Nebraska libraries received \$886,593.96 in ECF funding.

Discussion was held on the low numbers of Nebraska schools and libraries participating in the NUSF-117 E-rate Special Construction Grant program and whether more outreach needs to occur. Mr. Needham stated that most schools in Nebraska are already fiber connected but some have aging fiber infrastructure that may need replacement. The NUSF-117 program structure permits new fiber builds and those schools needing to replace fiber can't utilize the state matching funds through the NUSF-117 grant program. Ms. Porter stated that the Nebraska Library Commission has provided E-rate workshops focused on E-rate special construction with fiber, in addition to other training and outreach in relation to the E-rate program. Additionally, because the RFP process can be overwhelming for schools and libraries, the NLC provides a template that can be used. Discussion was held about targeting outreach efforts to service providers in addition to schools and libraries. Gary Needham stated that the FCC was seeking public comments in relation to the E-Rate program competitive bidding process with comments due March 28, 2022, and reply comments due April 27, 2022.

NUSF-Related Activities Updates:

Rural Broadband Task Force - Cullen Robbins reported on the Rural Broadband Task Force. The Task Force meets on a quarterly basis and has met four times since the last NUSF Advisory Board meeting. In October 2021, the Task Force provided its second report to the Legislature. The report's recommendations included:

- Broadband Data and Mapping:
 - To initiate a program to map broadband availability for serviceable locations in the state augmented by speed test data.
- Public Private Partnerships and Broadband Planning:
 - Express appreciation to the Governor and Legislature for appropriating funds for the Broadband Bridge program.
 - Review initial round of the Broadband Bridge program to determine the impact of the program.
 - Encourage local and regional broadband planning.
- Nebraska Universal Service Fund (NUSF):
 - Evaluate the results of the Commission's reverse auction to be held in 2022.
 - Coordinate the distribution of NUSF support with other sources to avoid duplication of funding and to target funding to areas most in need of support.
 - As funding from multiple sources is being utilized for broadband deployment projects, state and federal policymakers will need to develop mechanisms to ensure that broadband networks are being supported.

- Agriculture:
 - Establish a state goal of having broadband access to every farm or ranch headquarters.
 - Focus a portion of broadband funding on the highest cost areas.
 - Review initial round of grant rewards from the Broadband Bridge program to determine if adjustments could aid in funding extremely high-cost rural areas.
- Digital Inclusion, Homework Gap, and E-Rate:
 - Encourage schools and libraries without fiber to participate in the Special Construction Matching Funds Program.
 - Encourage school districts, educational service units, and communities to implement Wi-Fi hotspots, hotspot lending programs, low-cost internet, etc. to improve student access.
 - Encourage communities and regions to develop digital inclusion plans.
- Broadband Technician Workforce:
 - Telecom Industry, community colleges, local school districts, and Economic Development should engage in conversations about recruitment and training of technicians and development of programs.

Broadband Bridge Program - Joshua Edgar provided information to the Board regarding the Nebraska Broadband Bridge Program, including the mechanisms of the program, the application windows, and challenge process. The Nebraska Broadband Bridget Act was approved by the legislature and signed by the Governor on May 26, 2021. The Commission opened C-5272 to establish the 2021 program year structure and open the application window. In the 2021 program year, 78 applications were received requesting \$31.5 million in funding. There were 26 challenges received, 13 of which were upheld. In early 2022, the Commission approved 61 projects representing \$19.2 million in grant funding. Grant awardees have 18 months from the grant award to complete construction. On February 1, 2022, the Commission opened C-5368 to initiate a proceeding to consider proposed changes to the NBBP for the 2022 program year.

Legislative Update – 2022 Session – Cullen Robbins informed the Board that 12 bills were introduced potentially affecting Telecom/NUSF. After hearings, LB1144 was eventually amended to include elements of most of the original bills. LB1144 was passed by the Legislature and signed by the Governor on April 20, 2022. The bill does the following:

- 1) Tasks the Commission with developing a Nebraska location fabric broadband access map showing availability and quality of services for all serviceable locations in Nebraska.
- 2) Includes language about discontinuance and/or abandonment of service and what a provider must do for that to be approved.
- 3) Provides for an expedited process for carriers in obtaining wire-crossing permits to cross a railroad right-of-way.
- 4) Revisions to Nebraska Broadband Bridge, including:
 - Implements a lower match percentage requirement for high-cost areas.
 - Implements new rate comparability language.
 - Implements new requirements for challenges.
 - Requires 15 years of service post-award.
- 5) Implements the Precision Agriculture Infrastructure Grant Program, providing grants up to \$2 million per year to include:

- Adequate precision agriculture connectivity to on-farm structures and devices, including but not limited to, tractors, combines, irrigation systems, farm offices, and livestock facilities.
- On-farm traceability solutions to satisfy food supply stakeholder demand.
- Products that improve soil health, water management tools, and sensors that facilitate judicious use of water resources, and products that promote the use of water efficiency seed technologies that lower agriculture's water, carbon, and nitrate footprint.
- Products that use autonomous solutions in agricultural machinery, including but not limited to, grain carts, spreaders, precision drone scouting, and scouting robots.

NUSF PROGRAM REPORTS:

Remittances/Contribution Reform – Cullen Robbins provided an update regarding NUSF remittances and contribution reform. In 2021, the Commission approved moving business services to a connections-based mechanism, as it had in 2018 for residential services. The Commission determined, that starting with the January 2022 data period, businesses would remit \$1.75 per connection, with no cap on the # of connections. For the first couple months of 2022, the fund has brought in between \$4.1 and \$4.2 million per month, which equates to about \$49-\$50 million per year in remittances. Staff have observed some anomalies in reporting which will continue to be monitored and corrected as appropriate. The change in remittance methodology has largely followed the recommendation of the Advisory Board and have resulted in more stable remittances.

NUSF-131 – Reverse Auction – Cullen Robbins explained the “reverse auction” process. The Legislature granted the Public Service Commission authority to conduct a reverse auction with funds withheld from other carriers. The Commission passed rules with a broad framework for how a reverse auction would be conducted. In February 2022, the Commission entered NUSF-131 setting out a proposal for how an auction would be conducted, and set up a workshop that was held on March 29, 2022. The Commission intends to hold a reverse auction in the 2022 calendar year with approximately \$13.1 million in available funding for eligible areas in Frontier exchanges. The \$13.1 million includes deployment support which was made available to Frontier through the NUSF-99 process and Frontier either did not use or turned back the support. Additionally, Frontier's 2022 NUSF-99 deployment support was redirected to the reverse auction. Bidders will indicate interest based on census block groups within an exchange. If there are multiple bidders or the overall interest is higher than the budget, the Commission will step down the price, and bidders will have to again indicate their interest in serving the census block groups at the lower price. This will continue until below the budget and/or all interested bidders in a block group have been resolved. Minimum speeds will be 100/100 Mbps. The auction is anticipated to be scheduled Summer, 2022.

Lifeline/Nebraska Telephone Assistance Program (NTAP) – Cullen Robbins reported on the criteria for low-income Nebraska residents to receive NTAP. In years prior to 2019, the verification of eligibility criteria were determined by the Commission. Currently, eligibility is determined through “National Verifier,” a federal system.

The NTAP program provides \$3.50 state subsidy which is in addition to the Federal Lifeline program subsidy of \$5.75 to \$9.25. The Commission is monitoring FCC activity as they have announced plans to phase out support for voice-only services which was delayed until the end of 2022. Discussion was held on how Nebraska will subsidize voice-only services in the future if voice-only support is phased out on the federal side since eligibility for Lifeline is currently determined at the federal level.

Overall, NTAP program participation has been decreasing in past years, with Nebraska's enrollment currently at around 2,000 per month.

NUSF-57 – Telehealth – Carrie Gans reported that in 2021, the Commission modernized the Nebraska Telehealth program to incorporate changes by the FCC when they expanded their Rural Healthcare Program to include the new sub-program Healthcare Connect Fund (HCF). The FCC's HCF program provides eligible healthcare providers and consortia with a 65% discount on the cost of eligible broadband services and facilities. The NUSF-57 Nebraska Telehealth program is intended to mirror the HCF and will provide supplemental and secondary support of up to 25% of eligible costs. \$1.5 million was allocated to the program in 2021. In the 2021 program year, 154 applications were submitted, with 146 applications being approved. For program year 2022, the FCC extended their filing window to June 1, 2022. The Commission has opened the NUSF-57 application window and allocated \$1.5 million in funding to the program. The application window for NUSF-57 closes 15 business days after the FCC filing window closes. The state filing window is currently open and is set to close June 23, 2022. As it had in 2021, the Commission issued a news release in 2022 to increase awareness and to stimulate more participation in the program.

NUSF-117 – Schools/Libraries Special Construction Match Fund - Carrie Gans reported that in the 2021 program year, the Commission received applications from six libraries and one public school district, all of which were approved, totaling a commitment of nearly \$12,000. In the 2022 program year, the Commission received applications from three libraries and no applications from schools. All applications were approved, totaling a commitment of nearly \$6,000.

NUSF-92 – Wireless Broadband Grants – Cullen Robbins reported on the 2021 grants awarded for 11 towers to be constructed, totaling \$5 million. US Cellular was approved for projects in Brownville, Funk, Odell, Prosser, and Taylor. Viaero Wireless was approved for projects in Foster, Plymouth, Meadow Grove, Bee, and Oakdale. In 2022, the Commission increased the budget for the program to \$8 million. The 2022 application window just closed with 15 applications received from US Cellular and 12 applications received from Viaero Wireless, totaling 27 projects for consideration. The Commission has not yet announced the NUSF-92 projects approved for 2022.

NUSF-99 – High-Cost Program – Cullen Robbins reported on changes in the NUSF-99 Price Cap Carrier High-Cost Program. Price-cap carriers include CenturyLink, Windstream, and Frontier.

In 2021, the process for broadband deployment grants shifted from an application and approval method to a process in which carriers are notified of which areas need projects and how much support can be received for building out those exchanges. The carriers can then select the areas they plan to build to and submit project notices to the Commission. During 2021, price cap carriers filed project notices for the following:

United Telephone Company of the West – Chappell
CenturyLink – Grand Island, Pender/Thurston
Windstream – Beaver Crossing, Hallam, Milford, Plattsmouth, Yutan

In 2022, additional support was allocated by the Commission to total \$26 million. Of the \$26 million, 90% or \$23.4 million was allocated to broadband deployment support and 10% or \$2.6 million was allocated to ongoing support. Price cap carriers have until July 2022 to select projects in which they will use their allocated deployment support:

CenturyLink - \$10 million
United Telephone Company of the West - \$2.8 million
Windstream - \$7 million
Frontier/Citizens - \$3.5 million (will be redirected to the Reverse Auction).

NUSF-108 – High-Cost Program – Cullen Robbins provided information about changes to the NUSF-108 Rate-of-Return High-Cost Program.

In 2021, the rate-of-return carriers were allocated \$8.4 million in broadband deployment support. Rate-of-return carriers submitted project notices to the Commission for 18 projects which included approximately 560 households. Because NUSF-108 projects can be multi-year, this estimates may not include all projects in which 2021 dollars were used.

In 2022, the Commission allocated \$22.3 million for rate-of-return carriers. This includes \$14.5 million in ongoing support and \$7.8 million in broadband deployment support which includes the additional \$2 million for capped locations or areas that are supported through the federal ACAM program, where there is some support already received for broadband deployment, but not enough to provide fiber to the premises.

NUSF-4 – Discussion and Action for Recommendation of the NUSF Surcharge

Cullen Robbins presented a snapshot report to the Board of the NUSF's current balance of \$102.7 million, and what portion was committed to programs and the amount that represents the uncommitted balance.

The committed balance is \$86.4 million. This is the amount approved by the Commission to be allocated for specific programs but not yet disbursed. The committed balance is impacted by the reimbursement methodology in place for the larger grant programs. Typically, carriers must first incur costs for the build-out and submit documentation of the costs before the Commission will disburse funds. Since many projects have a multi-year build-out, some projects may be reimbursed over several years. As reimbursement requests start coming in, the committed balance amount should decrease.

The uncommitted balance is \$16.3 million. This includes dollars used to pay operating and administrative costs.

Mr. Robbins reported that when budgeting for 2022, the Commission has decided to try spending down the uncommitted balance. The budget for 2022 is about \$61.7 million, which is \$10-11 million above what is projected to be brought in through remittances of \$49-50 million.

Discussion was held of spending down the balance vs. lowering the surcharge rate of \$1.75 per line down to \$1.50 per line.

Mr. Robbins further stated that a concern expressed by Commissioners in relation to the surcharge level was that businesses with large number of connections may experience a dramatic increase in remittance obligations. However, since implementing the change to remittances in which both the

residential and business connections are assessed at \$1.75 per line, there have been very few negative comments received.

Rod Triplett made a motion to recommend to the Commission that the current surcharge rate of \$1.75 per line for business and residential customers be retained. Because there is limited data available to evaluate the new remittance methodology, additional data is needed to determine if the rate should be adjusted. Chris Johnson seconded the motion. Upon roll call vote of all Board members present, the motion passed unanimously with Board members Hand, Johnson, Needham, Triplett and Gans voting in favor.

Other Business

No other business was discussed.

Public Comments

Gene Hand invited the public to address the Board. No public comments were received.

Adjourn

Gary Needham made a motion to adjourn the meeting, seconded by Chris Johnson. Upon roll call vote of all Board members present, Hand, Johnson, Needham, Triplett and Gans the motion passed unanimously. The meeting adjourned at 11:35 a.m.