

**Nebraska Universal Service Advisory Board Meeting
Public Service Commission Hearing Room
The Atrium, 1200 “N” Street
Lincoln, Nebraska
May 8, 2015**

The Nebraska Universal Service Advisory Board met May 8, 2015 at the Public Service Commission Hearing Room, 300 The Atrium, 1200 N Street in Lincoln, Nebraska.

David Rosenbaum, Chair of the Advisory Board, called the meeting to order at 10:03 am. The following Board members were present:

David Rosenbaum;
Ann Prockish;
Dennis McIntyre;
SueAnn Witt;
Jeffrey Zindel; and
Dwight Wininger

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

The Board went through member roll call with six Board members announcing their presence. Quorum status was established.

Terms of Board Members and Re-appointments

The first order of business was the appointment of Ann Prockish, a Telecommunications representative for the Board. A motion was made by Ms. Witt to appoint Ann Prockish to the Board. The motion was seconded by Mr. Wininger. Upon a roll call vote of all Board members present, with the exception of Ms. Prockish, the motion carried with all other present members voting in favor of the motion.

The re-appointment of Loren Duerksen was the next matter of business. A motion was made by Mr. Wininger and seconded by Ms. Witt to re-appoint Mr. Duerksen. Upon a roll call vote of all Board members present, the motion carried with all present members voting in favor of the motion.

Approval of Minutes from April 15, 2014

A motion was made by Mr. McIntyre and seconded by Mr. Zindel to approve the minutes from the April 15, 2014 Advisory Board Meeting. Upon a roll call vote of all Board members present, the minutes were approved as presented and the motion carried.

Schools, Libraries, and Health Care Activities Report

Ms. Witt discussed the e-rate application process and status for FY2014-2015 for schools, noting the numbers of applications submitted and discounts received for the funding year. She also provided statistics on a nationwide level for E-Rate funding activities, noting that while funding requests are up

about 2,000 from last year there are adequate funds to cover all valid requests as Category 1 and 2 requested amounts are down.

Ms. Witt also reported that the FCC was hosting a Fiber Build-Out workshop on May 20, 2015. The workshop will provide an overview of the new E-rate rules governing installment payments, state matching for fiber builds, leasing and management of dark fiber, and self-construction. It will also explore best practices for fiber builds and practical challenges to aligning fiber builds with the E-rate application process and other E-rate rules, and will focus particular attention on the issues applicants need to consider in order to choose the most cost-effective option for deploying fiber.

Nebraska Telephone Assistance Program Update

Ms. Vanicek reported on the status of the Nebraska Telephone Assistance Program. As of April 29, 2015, there were 10,088 households receiving assistance. She noted that this number is down from last year but that was due to applicants failing to respond to recertification requests by the department. Ms. Vanicek informed the Board that the Commission has contracted with GIS Workshop to develop a database system to administer the NTAP program and that the database is currently in the testing phase. She also discussed some limitations with the new National Lifeline Accountability Database (NLAD) in regards to the credit history check that the database attempts, as well as noting that the FCC has said they will be opening up the NLAD to states.

Nebraska Broadband Pilot Program Report

Ms. Vanicek reported on the results from last year's Nebraska Broadband Pilot Program. Ms. Vanicek indicated that for the 2014 calendar year, 16 companies submitted funding requests totaling \$20.1 million for 94 projects. The Commission granted support for 15 applications to fund 60 projects for a total of \$8.5 million.

Ms. Vanicek also noted that for the 2015 calendar year the Commission established a pilot program for broadband adoption projects and \$500,000 was allocated specifically for these projects in the 2015 cycle. She indicated that for the regular broadband deployment grant funding the Commission allocated \$7,992,000 and received applications from 23 companies for a total of 67 projects and \$21.7 million in requests. She informed the Board that the staff will issue a recommendation on the projects to be funded and that a schedule will be established for testimony and a hearing.

NUSF-99 Consideration of Revisions to the High Cost Distribution Mechanism

Ms. Vanicek informed the Board that the Commission requested comment on how it should modify high-cost support as it relates to price cap carriers to ensure that these carriers can coordinate the use of state high-cost support with their CAF Phase I frozen high-cost support and CAF Phase II funding. She reported that the comments were varied, with two price cap carriers recommending no changes in the current support system and one price cap carrier suggesting freezing price cap carrier's level of support at the proportion received in 2015 relative to total funding. Some commenters recommended other changes, such as not providing support to areas where an unsubsidized competitor exists.

Discussion of Current State of Federal Contribution Reform

Ms. Vanicek updated the Board on this issue, noting that the FCC has referred it to the Federal/State Joint Board and that the FCC is waiting on the Board's recommendation on how it should modify the

universal service contribution methodology before they act. She noted that the recommended decision was requested by April 7, 2015 but no recommendation has been made as of yet. Discussion ensued by the Board on the challenges of states moving forward on changes to the contribution methodology prior to the FCC acting on the issue.

NUSF-100 Consideration of Revisions to the NUSF Contribution Methodology

Ms. Vanicek reported to the Board that the Commission also requested comments on the method of assessment for the NUSF. Options on which comment were sought include revenues, connections, numbers, or some hybrid of these methods. She noted that recommendations were varied. Of the commenters recommending an assessment method, most suggested a connections or numbers-based assessment. One party recommended a hybrid assessment mechanism. Some commenters urged the Commission to wait to reform the state contribution mechanism until the FCC had reformed its mechanism. Another suggestion was that the revenues contribution base be expanded to include broadband services.

NUSF-4: Discussion Regarding NUSF Surcharge

Ms. Vanicek provided information to the Board on the balance of the universal service fund. She stated that the fund currently has a balance of \$37.5 million with an uncommitted balance of about \$10.8 million. Ms. Vanicek stated that the remittances for FY2013/2014 were approximately \$50.2 million and the Commission continues to see a decline at a rate of about 2% per year. She also discussed the fact that the NUSF is dispersing about as much as it is taking in on a monthly basis and what may need to happen to current programs if remittances continue to decline.

The Board had a lengthy discussion about the NUSF remittances, the programs supported by the universal service fund, the current surcharge level and various options for the Board's recommendation.

A motion was made by Mr. Winger and seconded by Ms. Witt to recommend leaving the surcharge at 6.95% for the upcoming fiscal year. Upon a roll call vote of all Board members present, the motion carried unanimously.

Other Business

The Board discussed the expiration of terms for several Board members in January 2016 and the possibility of a quick meeting in the fall to cover any new appointments or re-appointments of existing members that opt to continue to serve on the Board. It was decided that Ms. Vanicek would reach out to those members whose terms are set to expire in January 2016 and inquire on their intentions to continue to serve on the Board. The Commission would then post any open positions and the Board could possibly reconvene in the fall to handle any and all new appointments or re-appointments.

Adjourn

A motion was made by Mr. Winger and seconded by Mr. McIntyre to adjourn. Upon agreement of all Board members the meeting adjourned at 11:15 am.