

Appendix 6
NUSF Overview and Support Allocations

NUSF Contributions

Funding for the NUSF has been collected via a 6.95% surcharge of in-state retail telecommunications revenue. Interstate and Internet services are not subject to the NUSF surcharge. Specific categories of services subject to the NUSF surcharge are:

- Local service, including connection charges, enhanced service, such as Caller ID, and Extended Area Services (EAS);
- Wireless services, including cellular, PCS, and paging;
- In-state long distance services, including prepaid calling card, operator-assisted, collect, calling card and private line; and
- Voice over the Internet Protocol (VoIP) service.

As consumers have disconnected landline phone service and carriers have moved services away from what is assessable, remittances to the NUSF have dropped. See Table 1 below.

**Table 1 NUSF Remittances
2013-2018**

Year	Total Remittances	Percentage change
2013	\$51,943,788	
2014	\$49,474,147	-4.75%
2015	\$45,599,105	-7.83%
2016	\$39,853,514	-12.6%
2017	\$35,321,421	-11.4%
2018	\$32,744,511	-7.3%

In October 2017, the Commission issued an order determining that it would adopt a connections-based mechanism. The Commission, in a subsequent proceeding, set the targeted level of the fund between \$46 and \$54 million and set a residential per connection surcharge at \$1.75. The Commission left the assessment of business services at 6.95% of assessable revenues. The new surcharge methodology was implemented April 1, 2019 for all remitting carriers.

NUSF Distribution

Price cap carriers, rate of return carriers, and mobile wireless carriers receive support from the Nebraska Universal Service Fund. The Nebraska Public Service Commission has established separate distribution mechanisms for each of these carrier types.

Price Cap Carriers. Price cap carriers include the three largest carriers in the state: CenturyLink, Windstream, and Frontier (also known as Citizens Telecommunications of Nebraska). Through NUSF-99, the Nebraska Public Service Commission has taken steps to modernize the NUSF by transitioning the fund from only supporting landline telephone service to also supporting broadband.

Perhaps more importantly, most of the funds that price cap carriers receive are treated, in part, like a grant program. Specifically, a portion of the funds allocated to price cap carriers can only be accessed if the carriers apply for funding for broadband projects. These funds are allocated specifically to each of the carriers and remains allocated to them until they are approved for a project. In 2016, the allocation was split 50/50 for grant and funds for on-going costs. In 2017, the PSC has adopted an 80/20 split of annual NUSF support for price cap carriers, where 80% is allocated for broadband projects, and 20% is allocated for ongoing expenses, which must be used for “provision, maintenance, and upgrading of facilities.” This 80/20 split was maintained in subsequent years, and continues into the current year (2019). A carrier’s unused balance can be carried over. The following table shows how support has been allocated to Price Cap Carriers since the “grant” methodology was started in 2016:

**Table 2 NUSF Support Allocation for Price Cap Carriers
2016-2019 (As of May, 2019)**

Year	Total Support Allocated	Company	Amount Requested	Balance
2016	\$ 1,527,374	Frontier/Citizens	\$ 1,527,374	\$ -
	\$ 2,473,501	Windstream	\$ 2,473,501	\$ -
	\$ 5,467,471	Centurylink/UTC of the West	\$ 5,253,013	\$ 214,458
2017	\$ 2,199,943	Frontier/Citizens	\$ 1,798,104	\$ 401,839
	\$ 4,394,372	Windstream	\$ 2,301,366	\$ 2,093,006
	\$ 7,951,126	Centurylink/UTC of the West	\$ 6,217,675	\$ 1,733,451
2018	\$ 1,822,449	Frontier/Citizens	\$ -	\$ 1,822,449
	\$ 3,640,329	Windstream	\$ -	\$ 3,640,329
	\$ 6,586,769	Centurylink/UTC of the West	\$ 5,150,766	\$ 1,436,003
2019	\$ 1,822,448	Frontier/Citizens	\$ -	\$ 1,822,448
	\$ 3,640,329	Windstream	\$ -	\$ 3,640,329
	\$ 6,586,769	Centurylink/UTC of the West	\$ 3,949,382	\$ 2,637,387
Total	\$ 48,112,880		\$ 28,671,181	\$ 19,441,699

Rate of Return Carriers. In 2018, the Commission completed an effort to reform how support is distributed to rate of return carriers. Through its NUSF-108 proceeding, the Commission sought to incentivize broadband buildout, increase accountability, account for federal support received by carriers, and efficiently target support to areas of need. The Commission decided to use a cost model, the State Broadband Cost Model (SBCM), to base determinations of support for rate of return carriers. This cost model is essentially the same as the model used for the Connect America Fund (CAF) Phase II process, and both model fiber to the home buildout. The Commission used the SBCM to determine allocations of support for both ongoing costs and broadband deployment for each rate of return carrier. Each carrier's allocation depended on how much of its territory was already capable of 25/3 service, and how much needed to still be built out. For example, if a carrier was completely built out with fiber to the home in their entire service territory, they would not need deployment support, and would only receive ongoing support. Conversely, if a carrier had no areas capable of 25/3 support, they would receive most of their support in deployment funds. In order to avail themselves of the deployment support allocated to companies, carriers must notify the Commission of where they intend to complete projects, and then seek reimbursement for the costs of the project. Projects can only be completed in blocks that are not 25/3 capable and are not supported through the Alternative Connect America Cost Model (A-CAM). Through this methodology, the Commission can track where broadband has been deployed, where it needs to be deployed, and where projects are occurring to deploy it.

The Commission initially proposed that areas where A-CAM support was designated would not receive support through the mechanism outlined. There is a progression order (P.O. #4) currently open to further examine that issue.

Initial allocations of support for 2019 are shown in the following table:

Table 3 NUSF Initial Support Allocations for Rate of Return Carriers 2019

Company Name	Final Ongoing Support	Final Broadband Deployment Support	Total Support
ABB - Huntel	\$ -	\$ 190,511	\$ 190,511
Arapahoe	\$ 223,504	\$ 937,616	\$ 1,161,120
Benkelman	\$ 209,853	\$ 175,865	\$ 385,717
Cambridge	\$ 187,622	\$ 90,648	\$ 278,271
Clarks	\$ 234,328	\$ -	\$ 234,328
Consolidated Telco	\$ 5,408	\$ 110,042	\$ 115,450
Consolidated Tele	\$ 445,779	\$ 77,369	\$ 523,148
Consolidated Telecom	\$ 41,456	\$ 234,150	\$ 275,606
Cozad	\$ 51,352	\$ 322,117	\$ 373,469
Curtis	\$ 39,701	\$ 122,463	\$ 162,164
Dalton	\$ -	\$ 648,674	\$ 648,674
Diller	\$ 260,101	\$ 214,278	\$ 474,380
Elsie	\$ -	\$ 6,424	\$ 6,424
Glenwood NS	\$ 258,546	\$ -	\$ 258,546
Glenwood TMC	\$ 963,241	\$ -	\$ 963,241
Great Plains	\$ 299,046	\$ 1,204,462	\$ 1,503,509
Hamilton	\$ 59,814	\$ 878,022	\$ 937,835
Hartington	\$ 181,270	\$ -	\$ 181,270
Hartman	\$ 193,440	\$ 147,989	\$ 341,429
Hemingford	\$ 382,644	\$ -	\$ 382,644
Henderson	\$ 137,479	\$ -	\$ 137,479
Hershey	\$ 72,026	\$ 179,561	\$ 251,587
Hooper	\$ 7,205	\$ 4,745	\$ 11,949
K&M	\$ 90,163	\$ 11,871	\$ 102,033
Nebraska Central	\$ 295,718	\$ 309,592	\$ 605,311
Northeast Nebraska	\$ 1,765,612	\$ -	\$ 1,765,612
Pierce	\$ 19,782	\$ 26,983	\$ 46,765
Plainview	\$ 186,428	\$ -	\$ 186,428
Sodtown	\$ -	\$ -	\$ -
Southeast Nebraska	\$ 385,048	\$ -	\$ 385,048
Stanton	\$ 183,544	\$ -	\$ 183,544
Three River	\$ 713,711	\$ -	\$ 713,711
Wauneta	\$ 167,440	\$ 145,416	\$ 312,856
Total	\$ 8,061,261	\$ 6,038,797	\$ 14,100,058

Mobile Wireless Carriers. The NUSF-92 program includes funding to support tower builds for mobile wireless carriers. Each year, the Commission opens a docket to request applications from carriers to build towers. The applications are evaluated to make sure that projects are in rural areas, are in areas where coverage is needed, and consequently are not built in close proximity to existing towers, and as long as the project is considered rural, provides service to as many potential users as possible. Individual tower applications are ranked to determine the locations where support would best be utilized.

The support amounts made available to wireless carriers for 2016, 2017, and 2018 are shown below. Determinations of support for individual carriers for the 2018 grant cycle have not yet been made.

**Table 4 NUSF Support Allocations for Mobile Wireless Carriers
2016-2019**

Year	Total Support	Company	Support Allocated
2016	\$ 4,000,000.00	US Cellular	\$ 2,486,525.00
		Viaero	\$ 915,945.00
		Pinpoint	\$ 597,530.00
2017	\$ 4,000,000.00	US Cellular	\$ 2,152,250.00
		Viaero	\$ 1,808,611.00
2018	\$ 3,200,000.00	US Cellular	\$ 2,589,900.00
		Viaero	TBD