

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 788 (as enrolled)  
Sponsor: Senator Mat J. Dunaskiss  
Senate Committee: Technology and Energy  
House Committee: Public Utilities

**PUBLIC ACT 183 of 1997**

Date Completed: 2-26-98

**CONTENT**

**The bill amended the Michigan Telecommunications Act to increase the discount that must be offered to low income customers for basic local exchange service. The bill also included educational institutions among the entities for which a provider must establish rates, terms, and conditions for attachments.**

**Rate Reduction**

The Act requires telecommunications carriers to offer reduced rates to low income customers (commonly referred to as the "lifeline" program, which is required by Federal regulations). The carriers are reimbursed with a combination of Federal and State funding. Previously, the Act required the reduced rate for basic local exchange service to be 20% or \$4, including any Federal contribution, whichever was greater, below the regulated rate. For low income customers at least 65 years old, the rate was 25% or \$4, whichever was greater, below the regulated rate.

Under the bill, the reduced rate for basic local exchange service and access service must be at least 20% of the basic local exchange rate or \$8.25, including any Federal contribution, whichever is greater. For low income customers 65 years old or older, the rate reduction must be at least 25% of the basic local exchange rate or \$8.25, including any Federal contribution, whichever is greater.

The bill specifies that the total reduction under these provisions may not exceed 100% of all end-user common line charges and the basic local exchange rate.

As previously provided, to qualify for the reduced rate, a person's annual income may not exceed 150% of the Federal poverty level.

**Attachments**

The Act requires a provider to establish the rates, terms, and conditions for attachments by another provider or cable service. The bill also requires a provider to establish the rates, terms, and conditions for attachments by an educational institution establishing a telecommunication system. (An "attachment" is a wire, cable, facility, or other apparatus installed upon any pole or in any duct or conduit, owned or controlled, in whole or in part, by a provider.)

MCL 484.2316 &amp; 484.2361

Legislative Analyst: S. Lowe

**FISCAL IMPACT**

Under this low income residential basic local exchange program, the Federal government contributed \$2 of the \$4 rate reduction. The State contributed the other \$2, which is assessed by local exchange providers from the rest of their customer base. This bill updates the State statute to reflect more

accurately the Federal formula, which has increased the Federal contribution to \$6.25, but does not change the State contribution. According to the Public Service Commission, this new reduced rate may increase participation rates among eligible low income customers. If this increase in participation reaches a level that the current assessment placed on all other customers is not sufficient to fund this program, then the local providers may request a rate increase for this assessment. This rate increase will then increase the local exchange costs for State and local governments and could therefore have a fiscal impact. The amount of this impact is indeterminate as the participation rates are unknown at this time.

Fiscal Analyst: M. Tyszkiewicz

S9798\S788SA

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.