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SFA



BILL ANALYSIS

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Senate Bill 637 (as enrolled)
Sponsor: Senator Leon Stille
Senate Committee: Technology and Energy
House Committee: Advanced Technology and Computer Development

PUBLIC ACT 95 of 1997

Date Completed: 8-13-97

RATIONALE

The Federal Telecommunications Act of 1996 made many significant changes to the regulation of telecommunications services. Among other things, the Federal Act requires that telecommunication providers offering services on an interstate or an intrastate level provide those services to eligible schools and libraries at a discount. Providers can then be reimbursed by the Federal Universal Service Support Fund. For elementary and secondary schools, the discount is based on the percentage of students eligible for the Federal school lunch program. For a library, the discount is based on the percentage of students eligible for the school lunch program in the district in which the library is located. The discounts for interstate services range from 20% for urban schools and 25% for rural schools with less than 1% of eligible students to a 90% discount for both urban and rural schools with 75% to 100% of eligible students. Discounts are to be offered on all commercially available telecommunications services, internal connections, and Internet access.

To be eligible, a school or library first must submit a technology plan to the Michigan Department of Education for approval and solicit bids for the desired services. An application, along with the approved plan and accepted bid, then has to be submitted to the Universal Service Support Fund administrator. The provider then is to be reimbursed by the Fund for the discount provided to the school or library for both interstate and intrastate services.

Recent Federal Communications Commission (FCC) rules reportedly require, however, that to participate in the Universal Service Support program, states must first adopt at least the same discounts for intrastate services that the Federal Act provides for interstate services. Money from

the Fund apparently will be distributed beginning January 1, 1998, on a first-come, first-served basis. Originally, the deadline for schools and libraries to submit applications for eligibility was July 1, 1997, but delays in establishing this new program have postponed the development and distribution of application forms. Though it is not clear as to when an application must be in for eligibility for the program, the State nevertheless must adopt the same discount rate for intrastate telecommunication services for eligible schools and libraries that the Federal law provides for interstate services. Some people believe that Michigan should adopt those discount rates so that Michigan schools and libraries can apply for discounted telecommunications services.

CONTENT

The bill amended the Michigan Telecommunications Act to require all telecommunications services providers within Michigan that receive Federal universal service support under the Federal Telecommunications Act, for services provided to eligible elementary and secondary schools, to provide those intrastate services at discounts equal to the discounts applicable for eligible interstate services. (House Bill 4997, which became Public Act 96 of 1997, makes the same amendment with regard to discount services to eligible libraries.)

MCL 484.2375

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The new Universal Service Support program under

the Federal Telecommunications Act has the potential to enable many schools and libraries to update and expand their telecommunications systems by qualifying for discounts from 20% to 90% on both interstate and intrastate services. Any commercially available telecommunications service (e.g., call forwarding and call waiting), internal connections, and Internet access will qualify for the Federal support. To be eligible to receive the discount from telecommunications providers, however, schools and libraries must first submit a technology plan to the Michigan Department of Education and use a competitive bid process to select a provider. The plan and the selected provider then must be added to the application for the Universal Service Support program. Telecommunications providers will be reimbursed from the Federal Fund for the interstate and intrastate services provided at a discount to the schools and libraries.

In order for providers to receive a reimbursement for services, though, a state must first adopt for intrastate services the discount rates applicable under Federal law for interstate services. Also, a provider likely will not provide a discount to a school or library if it is not assured of reimbursement from the Universal Support Service Fund. Due to recent changes in the Michigan Telecommunication Act, the Attorney General reportedly has concluded that the Public Service Commission does not have sufficient regulatory authority to adopt the discount rates on its own. The bill, together with House Bill 4997, then, is necessary to establish the framework for Michigan schools and libraries to receive the discounts that will be given them by telecommunications providers that can be reimbursed by the Universal Service Support Fund. Since it is commonly believed that the Fund, which will be capped at \$2.25 billion a year, will be distributed on a first-come first-served basis, it is important that intrastate discounts be established in a timely fashion so that Michigan schools and libraries can be prepared to meet any pending Federal application deadline.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill will have no State fiscal impact. It will reduce the cost of intrastate telecommunications services, including two-way interactive communications, internal connections, and Internet connections, to public and private nonprofit elementary and secondary schools.

Currently, the Federal Communications Commission requires telecommunications providers to offer discounts to schools on interstate telecommunications services. The bill requires that the same discounts apply to intrastate services. Under the FCC order, the telecommunications service providers will be reimbursed by the Federal Universal Service Fund for the cost of discounts provided.

The value of discounts that will be received by schools is unknown. The schedule of discounts, however, is set by the FCC and provides discounts of 20% to 90%, with disadvantaged schools receiving higher discounts.

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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.