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EXTEND LIFELINE SERVICES SUNSET

House Bill 4418 as introduced First Analysis (5-6-99)

Sponsor: Rep. Judson Gilbert II
Committee: Energy and Technology

THE APPARENT PROBLEM:

Section 316 of the Michigan Telecommunications Act requires telecommunications carriers to offer reduced rates to low income customers for basic local exchange service and access service -- basic local residential phone service and access to operator services, directory assistance, and emergency services (commonly referred to as the "lifeline" program, which is required by federal regulations). Approximately 129,000 people statewide are enrolled in the lifeline program through various telecommunications service providers. In order to qualify for the program, a person's annual income may not exceed 150 percent of the federal poverty level. Generally, each customer receives an \$8.25 reduction off his or her bill -- the reduced rate for low income customers who are under the age of 65 is the greater of at least 20 percent of the basic local exchange rate or \$8.25 (including any federal contribution). For low income customers who are 65 years old or older, the rate reduction must be at least 25 percent of the basic local exchange rate or \$8.25 (including any federal contribution), whichever is greater. In addition, the total reduction under these provisions may not exceed 100 percent of all end-user common line charges and the basic local exchange rate. Since most telecommunications service providers do not charge rates of \$35-\$45 for basic phone service, a 20-25 percent reduction is rarely higher than \$8.25. The carriers who provide this service are reimbursed with a combination of federal and state funding.

Although the Michigan Telecommunications Act will automatically be repealed January 1, 2001, section 316 (the lifeline program), as it is currently written, will automatically be repealed some 19 months earlier on June 1, 1999. Legislation has been introduced to extend section 316's sunset date to January 1, 2001 to match the rest of the Telecommunications Act.

THE CONTENT OF THE BILL:

The current provisions of section 316 of the Michigan Telecommunication Act (commonly referred to as the "lifeline" program) contain a sunset provision which will automatically repeal that section of the act on June 1, 1999. The bill would amend the act to extend the sunset provision for section 316 until January 1, 2001.

MCL 484.2316

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

If the current sunset date is allowed to take effect, nearly 130,000 low-income telephone customers would face a significant increase in their telephone bills. Such an increase in cost would likely force a large portion of these customers to discontinue their phone service. In this day and age access to phone service is an important and almost necessary part of daily living. Without the lifeline program, telephone service could become cost-prohibitive for many low-income customers.

POSITIONS:

The Telecommunications Association of Michigan supports the bill. (5-5-99)

The American Association of Retired Persons supports the bill. (5-5-99)

The Public Service Commission supports the bill. (5-5-99)

Ameritech supports the bill. (5-5-99)

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AT&T supports the bill. (5-5-99)

GTE supports the bill. (5-5-99)

MCI WorldCom supports the bill. (5-5-99)

SPRINT supports the bill. (5-5-99)

Analyst: W. Flory

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.