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SFA**BILL ANALYSIS**

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Senate Bill 886 (as introduced 11-10-99)
Sponsor: Senator Bev Hammerstrom
Committee: Technology and Energy

Date Completed: 12-1-99

CONTENT

The bill would amend the Michigan Telecommunications Act to require the Public Service Commission (PSC) to investigate the necessity of implementing an intrastate universal service support fund that would support certain basic local exchange providers that were eligible for universal service support under Federal law; require the PSC to implement the fund, if appropriate; and allow a provider to receive support if its costs of providing services eligible for universal service support exceeded a benchmark rate determined by the PSC. The bill also would extend the deadline for basic local exchange providers to restructure their rates for basic local exchange, toll, and access services.

Universal Service Support Fund

By July 1, 2000, the PSC would have to investigate the necessity of and, if appropriate, implement an intrastate universal service support fund to support certain basic local exchange providers that were eligible telecommunications carriers under 47 USC 214(e)(2) and the rules of the Federal Communications Commission (FCC).

(Under that Federal statute, a common carrier designated as an eligible telecommunications carrier may receive universal service support. Throughout the service area for which the designation is made, the carrier must offer the services that are supported by Federal universal service support mechanisms, and advertise the availability of those services and the charges for them. A state commission is required to designate a common carrier that meets these requirements as an eligible telecommunications carrier for a service area designated by the state commission.

In establishing the services that are supported by Federal universal service support mechanisms, the FCC is required to consider the extent to which such services:

- Are essential to education, public health, or public safety.
- Have been subscribed to by a substantial majority of residential customers, through the operation of market choices.
- Are being deployed in public telecommunications networks by telecommunications carriers.
- Are consistent with the public interest, convenience, and necessity.)

Under the bill, a provider could receive support if its total service long run incremental costs, plus a reasonable share of the common costs of providing services for which universal service support could be made available, exceeded a benchmark rate determined by the PSC for the services. The support would have to be less than any Federal universal service support received or other revenue received for recovery of the same or similar costs of providing the supported services.

If a universal service support fund were established, the PSC would have to require that all costs of the fund be recovered from all telecommunications providers in this State on a competitively neutral and nondiscriminatory basis.

The group of service functionalities to be included as supported telecommunications services constituting universal service would be the same as those defined by the FCC for high cost support. The support would

have to be portable among all eligible telecommunications carriers in the same manner prescribed by FCC rules.

In determining whether there was a need for the universal service support fund, the PSC would have to make findings regarding all of the following:

- Verification that, before receiving any funds from the universal service support fund, a basic local exchange provider was charging at least the benchmark rate.
- Establishment of a benchmark rate for the supported group of telecommunications service functionalities. The benchmark rate would have to be 135% of the comparable weighted average basic local exchange service rate provided under Section 304b(1)(b) of the two providers of basic local exchange service with the most access lines in this State at the time the fund was created. (Under Section 304b(1)(b), a provider must offer a flat rate allowing up to 400 personal and domestic outgoing calls per month per line. Calls over 400 per month may be charged at an incremental rate.)
- Identification of the telecommunications providers from which the costs of the fund would be recovered and the mechanisms to be used to determine and establish a competitively neutral and nondiscriminatory funding basis. Providers would have to establish a competitively neutral basis upon which their contributions to the fund would be recovered.
- Approval of a plan for the administration and operation of the fund by a neutral third party that provided for the fund's implementation by October 1, 2000, and was consistent with these requirements.

Upon request or its own motion, after notice and hearing, the PSC would have to determine whether, based upon changes in technology or other factors, these findings should be amended.

Rate Restructuring

The Act requires basic local exchange providers to restructure their rates for basic local exchange, toll, and access services in order to ensure that the rates are not less than the total service long run incremental cost (TSLRIC) of providing each service. A provider may determine when each rate is restructured and may phase in the rate restructuring until January 1, 2000. After that date, the provider's rates for basic local exchange, toll, and access services may not be less than the TSLRIC for each service. Under the bill, the implementation of a provider's rate restructuring could be phased in until December 31, 2000, after which the rates could not be less than the TSLRIC for each service.

The bill also would require a basic local exchange provider, by April 1, 2000, to file with the PSC the cost study or the adopted TSLRIC that the provider would use to restructure its rates.

MCL 484.2304a

Legislative Analyst: S. Lowe

FISCAL IMPACT

This bill would have no fiscal impact on the Public Service Commission. The bill could have a fiscal impact on the State and local governments to the extent that they are consumers of telecommunication services and could be required to pay a small additional charge.

Fiscal Analyst: M. Tyszkiewicz

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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.