

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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House Bill 4418 (Substitute S-1 as reported)  
Sponsor: Representative Judson Gilbert II  
House Committee: Energy and Technology  
Senate Committee: Technology and Energy

Date Completed: 5-20-99

### **RATIONALE**

The Michigan Telecommunications Act (MTA) requires the Public Service Commission to mandate that each provider of residential basic local exchange service offer certain low-income customers reduced rates on basic local exchange service and access service. This program is commonly referred to as "lifeline services". The MTA provides that the lifeline services discount for low-income customers must be at least 20% of the basic local exchange rate or \$8.25, whichever is greater. If the low-income customer is 65 years of age or older, the rate reduction must be at least 25% of the basic local exchange rate or \$8.25, whichever is greater. (The required discount amount includes any Federal contribution for lifeline services.) The total reduction may not exceed 100% of all end-user common line charges and the basic local exchange rate.

To qualify for lifeline services, a person's annual income cannot exceed 150% of the Federal poverty income standards as determined by the United States Office of Management and Budget and as approved by the State Treasurer.

The lifeline services is currently scheduled to be repealed on June 1, 1999, more than a year before the MTA is scheduled to sunset. It has been suggested that the sunset for lifeline services be repealed, in order to prevent an increase in low-income customers' telephone bills.

### **CONTENT**

The bill would amend the Michigan Telecommunications Act to repeal the June 1, 1999, sunset on lifeline services.

MCL 484.2316

### **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**

On January 1, 1998, the Federal Communications Commission increased its contribution to states with lifeline programs that complied with new Federal guidelines. Lifeline programs reduce low-income customers' telephone bills each month. According to the Public Service Commission, thousands of low-income telephone customers would see a significant increase in telephone bills, and many probably would have to discontinue telephone service if the sunset takes effect for lifeline services before the MTA is repealed on January 1, 2001.

Legislative Analyst: N. Nagata

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

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.