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

BILL ANALYSIS

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

House Bill 4257 (Substitute H-6 as reported without amendment)
Sponsor: Representative Tim Melton
House Committee: Energy and Technology
Senate Committee: Energy Policy and Public Utilities

CONTENT

The bill would amend the Michigan Telecommunications Act to do the following:

-- Eliminate a provision stating that rates set by an intrastate switched toll access service provider are just and reasonable if they do not exceed the rates allowed by the Federal government for the same interstate services.
-- Require an "eligible" toll access service provider to set rates for intrastate switched toll access services that did not exceed the rates allowed by the Federal government for the same interstate services.
-- Prohibit other providers from charging intrastate toll access service rates that exceeded those in effect on July 1, 2009, and require them to reduce the differential between rates for intrastate and interstate toll access services by 20% each year from 2011 to 2015.
-- Establish an intrastate switched toll access rate restructuring mechanism, to exist for 12 years, from which an eligible provider could receive monthly disbursements to recover the lost intrastate switched toll access service revenue resulting from rate reductions.
-- Require the Public Service Commission (PSC) to compute the size of the initial disbursement.
-- Require the restructuring mechanism to be supported by a mandatory monthly contribution by all providers of retail intrastate telecommunications services and commercial mobile service.
-- Require the PSC to establish the initial contribution assessment percentage, and adjust the assessment as necessary to maintain sufficient funds.
-- Require the PSC to recalculate the size of the restructuring mechanism every four years.
-- Require the PSC to initiate an enforcement proceeding if a provider failed to make the required contributions.
-- Allow, rather than require, the PSC to investigate providers who received a reduced toll access rate to ensure that they reduced customer rates by the same amount.
-- Delete a provision exempting basic local exchange providers with 250,000 or fewer customers in Michigan from the section the bill would amend.

("Eligible provider" would mean an incumbent local exchange carrier as defined in the Section 251 of the Federal Telecommunications Act (47 USC 251) that as of January 1, 2009, had rates for intrastate switched toll access services, and that provided the services and functionalities identified by rules of the Federal Communications Commission (FCC) described in 47 CFR 54.101(a).

Under 47 USC 251, "incumbent local exchange carrier" means, with respect to an area, the local exchange carrier that on February 8, 1996, provided telephone exchange service in the area; on that date, was deemed to be a member of the Exchange Carrier Association; and is a person or entity that, on or after that date, became a successor or assign of a member of the Association.

Under 47 CFR 54.101(a), the following services or functionalities must be supported by Federal universal service support mechanisms: voice grade access to the public switched network, local usage, dual tone multifrequency signaling or its functional equivalent, single-party service or its functional equivalent, access to emergency services, access to operator services, access to interexchange service, access to directory assistance, and toll limitations for qualifying low-income customers.)

MCL 484.2310 Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the responsibilities of the Michigan Public Service Commission. The bill would require the PSC to administer a program to restructure interstate switched toll access rates charged by telecommunications providers. The restructuring would consist of limits on access charges and a system of assessments on and payments to certain telecommunications providers.

The bill would establish a fund in the Department of Energy, Labor, and Economic Growth, referred to as the Intrastate Switched Toll Access Rate Restructuring Mechanism. This fund would receive deposits from assessments levied on providers of retail intrastate telecommunications services and providers of commercial mobile service. The assessment rate would be determined by the PSC in an amount sufficient to cover its administrative costs and disbursements from the fund to incumbent local exchange providers that were required to reduce their access charges under the bill. The PSC would determine disbursements according to a statutory formula based on data provided by the affected companies. The restructuring mechanism would operate for not more than 12 years from its inception. The PSC has estimated the initial size of the restructuring mechanism fund at $16.0 million.

The bill specifies that this program would operate independently of the State budget. The assessment revenue would not be subject to appropriation or available for any purpose other than the program created by the bill. The fund would earn interest and carry forward into subsequent fiscal years.

Additional responsibilities of the PSC would include adjustment of assessment rates, reporting, dispute resolution, and enforcement. The PSC would have the authority to levy fines for violations of the program. These fines would be deposited into the General Fund.

Date Completed: 12-9-09 Fiscal Analyst: Elizabeth Pratt
Maria Tyszkiewicz