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# HOUSE FISCAL AGENCY

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HB5460 AS INTRODUCED

Sponsor: Rep. Marc Shulman

Committee: ENERGY AND TECHNOLOGY

Analyst(s): Schneider, Bob

Completed: 12/6/01

## State Fiscal Impact

## Local Fiscal Impact

Cost: None  
Revenues: Indeterminate/Decrease

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Revenues: None

**\*\*REVISED - 12/06/2001\*\***

The bill would clarify the conditions under which basic local exchange providers with more than 250,000 customers (this would include Ameritech and Verizon) would be prohibited from assessing intrastate subscriber line charges or end-user line charges (often referred to as "EUCLs", an acronym for "end user common line" charges). Recent legislation amended the Michigan Telecommunications Act (2000 PA 295) to prohibit providers in this category from charging EUCL charges. However, this prohibition is currently the subject of ongoing court proceedings and the prohibition has not yet been deemed effective.

The bill clarifies the provision by prohibiting EUCL charges unless the basic local exchange provider files and receives approval from the Public Service Commission to impose the charge. The PSC would be required to consider whether the proposed EUCL charge provides a reasonable rate or return for the services provided in deciding whether to allow the charge. Providers assessing a EUCL charge as of the effective date of the bill would be allowed to continue to impose the charge. However, these providers would have to make the required filing within 90 days of the effective date. Providers could not increase the EUCL charge above the level imposed as of the effective date and would be required to adjust the charge in accordance with the PSC's findings.

The bill could eliminate all or part of the EUCL charges currently imposed by local exchange service providers Ameritech and Verizon. According to information obtained from the Public Service Commission, the EUCL charge generated roughly \$161 million in revenue for Ameritech and \$25 million in revenue for Verizon in 1999. Adjusting these figures for growth in the number of lines serviced, it is estimated that the bill could reduce state use tax revenues by up to \$12.0 million annually. The use tax revenue declines would lead to reductions in general fund/general purpose revenues by up to \$8.0 million and School Aid Fund revenue by up to \$4.0 million depending on the extent to which the EUCL charges were reduced.

The impact on use tax collections is obviously dependent upon the extent to which the EUCL charges are actually reduced. Revenue losses could also be reduced, however, if either provider is allowed to increase other rates and fees to replace EUCL-generated revenue. It should be noted that in the case of Verizon, the PSC has recently authorized Verizon's current rate and fee structure, including the EUCL charge, after analyzing the provider's costs. Thus, it is possible that any EUCL reduction would be offset by increases in other rates or fees in order to maintain the provider's revenue at "total service long run incremental cost", which is the measure used by the PSC in evaluating revenue needs. Given that any replacement charges would also be subject to the use tax, revenue losses would also be reduced.