



Calculations for Prepaid Mobile Telephony Service Surcharge

The Governor’s Office of Emergency Services (Cal OES) shall determine annually, on or before October 15th to be effective on January 1st of the following year, a surcharge rate to be applied to prepaid mobile telephony sales that it estimates will produce sufficient revenue to assist in funding the current fiscal year's 9-1-1 costs.

In making its computation of the charges that are applicable to the intrastate portion of prepaid Mobile Telephony Services (MTS), Cal OES shall use the computation method developed by the California Public Utilities Commission (CPUC) and reported to Cal OES. Per the California Department of Tax and Fee Administration (CDTFA), surcharge rates for prepaid MTS Surcharge follow the requirements for the State Emergency Telephone Number Account (SETNA) surcharge that in no event shall the surcharge rate in any year be greater than three-quarters of one percent or less than one-half of one percent.

Following numbers are provided by the CPUC under Resolution T-17579 prepaid Mobile Telephony Services surcharge rate as provided to Cal OES 10-18-2017

Prepaid 2014 MTS revenues subject to surcharge: \$2.270 Billion

Required Expenditures to recover through Surcharge (CDTFA and Retails):

CDTFA expenses to be paid for out of prepaid MTS Surcharge: \$0.092 Million
\$1.9 Million x 4.85%

2% prepaid Indirect retail sales withholding for compensation in collecting and remitting surcharge: \$2.700 Million x 2% \$0.054 Million

Total Projected Expenditures to recover: \$0.146 Million

Estimated Revenue

Minimum guaranteed revenue per Statute \$9.9 Million
Surcharge percent equivalent: \$9.9 Million/\$2.270 Billion .43 of 1%

Revenue at ¾ of 1% maximum allowable: \$2.270 Billion x .0075 \$17.025 Million

Estimated Net Revenue

Estimated Revenue – Projected Expenditures = \$17.025 Million - \$0.146 Million: \$16.879 Million

The recommended rate of three-quarters of one percent would provide revenue to offset costs for expenses incurred for fund administration from the CDTFA and 2% costs retained by the retailers. With current trend in reduced revenues to the SETNA, it is critical to maximize revenue. The SETNA economic reserves have decreased an average of \$17 Million per year since FY2009/10. The estimated revenue of \$16.879 Million will provide an additional \$6.9 Million above the required \$9.9 Million minimum to support the FY 2017/18 SETNA economic reserve fund projected at \$16.071 Million per the SETNA fund condition statement.

Recommended prepaid MTS Surcharge Rate: Three-Quarters of One Percent