

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2008)

See SAM Section 6601 - 6616 for Instructions and Code Citations

DEPARTMENT NAME Department of Fish and Game	CONTACT PERSON Margaret Duncan, Economist	TELEPHONE NUMBER 916-653-4676
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Amendments to Section 163 and 164, Title 14, CCR, Harvest of Herring and Harvesting of Herring Eggs		NOTICE FILE NUMBER Z

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|---|---|
| <input type="checkbox"/> a. Impacts businesses and/or employees | <input type="checkbox"/> e. Imposes reporting requirements |
| <input checked="" type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input type="checkbox"/> h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.) |

h. (cont.) _____

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: 190 or less Describe the types of businesses (Include nonprofits.): herring fishermen and a small number of in-state processors.

Enter the number or percentage of total businesses impacted that are small businesses: 83%

3. Enter the number of businesses that will be created: 0 eliminated: 0

Explain: See attached Initial Statement of Reasons (ISOR)

4. Indicate the geographic extent of impacts: Statewide Local or regional (List areas.): San Francisco Bay and the State; some retail benefits to local merchants around SF Bay will occur, whereas some goods & services may derive from other areas of the State.

5. Enter the number of jobs created: _____ or eliminated: _____ Describe the types of jobs or occupations impacted: See attached Initial Statement of Reasons (ISOR).

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

Yes No If yes, explain briefly: Proposed regulation will not increase costs to produce goods or services in California.

B. ESTIMATED COSTS (Include calculations and assumptions in the rulemaking record.)

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ See ISOR.

- | | | |
|---|--------------------------------|--------------|
| a. Initial costs for a small business: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |
| b. Initial costs for a typical business: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |
| c. Initial costs for an individual: \$ _____ | Annual ongoing costs: \$ _____ | Years: _____ |

d. Describe other economic costs that may occur: There are no increased costs or new fees, or new reporting requirements.

Depending on the harvest quota set by the Fish and Game Commission, whether No Change, zero, 2,300, or 4,600 tons, the potential changes to State total economic output are estimated to be None, \$(3,784,000), \$(659,000), and \$2,473,000, respectively (due to the ripple effect and the combined direct, indirect, and induced effects on industry output). See attached Economic Impact Analysis.

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2. If multiple industries are impacted, enter the share of total costs for each industry: Herring fishermen 47%, Wholesale trade 9%, Tourism-Recreation 4%, Machinery Repair 3%, Petroleum refineries 3%, Food & beverage 2%, Warehouse/Lease Space 4%, Insurance 2%, Gas stations 1%

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): \$ n/a

4. Will this regulation directly impact housing costs? Yes No If yes, enter the annual dollar cost per housing unit: _____ and the number of units: _____

5. Are there comparable Federal regulations? Yes No Explain the need for State regulation given the existence or absence of Federal regulations: The California Legislature mandates sustainable resource management and provides the Fish and Game Commission authority to implement regulations toward that end.
Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ n/a

C. ESTIMATED BENEFITS (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: Benefits will accrue to fishermen, processors, and the State's economy in the form of a healthy, sustainable fishery, and future harvestable herring populations. See attached ISOR.

2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?
Explain: The California Legislature mandates sustainable resource management and provides the Fish and Game Commission authority to implement regulations toward that end.

3. What are the total statewide benefits from this regulation over its lifetime? \$ see ISOR

D. ALTERNATIVES TO THE REGULATION (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: No other option offers a better balance of environmental and biological safeguards, while minimizing long-term impacts to ongoing business enterprises.

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:	Benefit: \$ <u>see ISOR</u>	Cost: \$ <u>none</u>
Alternative 1:	Benefit: \$ _____	Cost: \$ _____
Alternative 2:	Benefit: \$ _____	Cost: \$ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: _____
Future resource benefits and resource health are difficult to predict in light of other biological and environmental factors beyond the Agency's control. Consequently, future benefits are sometimes difficult to monetize.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? Yes No
Explain: _____

E. MAJOR REGULATIONS (Include calculations and assumptions in the rulemaking record.) Cal/EPA boards, offices, and departments are subject to the following additional requirements per Health and Safety Code section 57005.

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1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million? Yes No (If No, skip the rest of this section.)

2. Briefly describe each equally as an effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____
 Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation:	\$ _____	Cost-effectiveness ratio: \$ _____
Alternative 1:	\$ _____	Cost-effectiveness ratio: \$ _____
Alternative 2:	\$ _____	Cost-effectiveness ratio: \$ _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT (Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:

- a. is provided in _____, Budget Act of _____ or Chapter _____, Statutes of _____
- b. will be requested in the _____ Governor's Budget for appropriation in Budget Act of _____
(FISCAL YEAR)

2. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:

- a. implements the Federal mandate contained in _____
- b. implements the court mandate set forth by the _____
 court in the case of _____ vs. _____
- c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____
 election; (DATE)
- d. is issued only in response to a specific request from the _____
 _____, which is/are the only local entity(s) affected;
- e. will be fully financed from the _____ authorized by Section _____
(FEES, REVENUE, ETC.)
 _____ of the _____ Code;
- f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit;
- g. creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Savings of approximately \$ _____ annually.

4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law regulations.

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5. No fiscal impact exists because this regulation does not affect any local entity or program.
 Depending on the option chosen, No Change, zero, 2,300 or 4,600 ton quota could affect annual State and local tax revenue
6. Other. originating with the herring fishery by None, (\$191,000), (\$33,000), and \$125,000 respectively, for the current year and two subsequent fiscal years. See calculations worksheet.

B. FISCAL EFFECT ON STATE GOVERNMENT (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year. It is anticipated that State agencies will:
- a. be able to absorb these additional costs within their existing budgets and resources.
- b. request an increase in the currently authorized budget level for the _____ fiscal year.
2. Savings of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any State agency or program.
4. Other. landing tax revenues to the State by, No Affect, \$(7,420), \$(1,440), and \$4,540 respectively, for the current year and two subsequent fiscal years. See calculations worksheet.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year.
2. Savings of of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.
4. Other.

FISCAL OFFICER SIGNATURE <i>[Signature]</i> for Valinda Roberts	DATE 6-21-13
AGENCY SECRETARY ¹ APPROVAL/CONCURRENCE <i>[Signature]</i>	DATE
DEPARTMENT OF FINANCE ² APPROVAL/CONCURRENCE <i>[Signature]</i>	PROGRAM BUDGET MANAGER DATE

1. The signature attests that the agency has completed the STD.399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or department not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

2. Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD.399.

STD399 CALCULATIONS WORKSHEET

Fiscal Impact Statement

A. Fiscal Impact On Local Government

Calculations for Fiscal Impact Statement, Section A, Item #6.

a. Tax Revenue Impact Projections Methods.

The underlying basis for the local tax projection is that the herring fishermen and herring businesses utilize goods and services of other industry sectors when conducting their fishing: boat fuel and other petroleum products, food and lodging, insurance, rental storage, etc. In purchasing these goods and services from other industry sectors, local taxes are paid on the transactions. As expenditures originating with the herring fishery ripple through the economy there is an additive effect on the economy; these are the culmination of the Direct, Indirect, and Induced effects and are usually presented as "economic multipliers".

Using commercial economics modeling software, IMPLAN¹, for the affected herring industry on a statewide level, we derived economic multipliers for each economic index: Employment, Total Labor Income, Total Value Added, Taxes, and Total Economic Output, below.

Herring Fishery - Statewide Multipliers For Each Of Five Economic Indices

Economic Impact Index	Output	Employment (divide 1mill)	Labor Income	Total Value Added	State & Local Taxes
Direct Effect	1.0000	21.6	0.4564	0.6697	0.0414
Indirect Effect	0.3382	1.3	0.0828	0.1357	0.0140
Induced Effect	0.5614	3.7	0.1842	0.3326	0.0405
Total Effect	1.8996	26.7	0.7235	1.1381	0.0959

Using the above multipliers we calculated the total economic output, employment, labor income, value added and State and local tax impacts, for each of the commercial herring harvest quota options (shown below).

Herring Fishery Statewide - Incremental Economic Impact Projections

	Harvest Quota Option (ton)	Incremental Change From Last Season Quota (ton)	Incremental Change In Harvest Quota Value	Total Economic Output	Total Employment	Total Labor Income	Total Value Added*	Local & State Taxes
Zero Quota	-	(2,854)	(\$1,992,000)	(\$3,784,000)	(243)	(\$1,441,000)	(\$2,267,000)	(\$191,000)
5% of 46Kton Quota	2,300	(554)	(\$347,000)	(\$659,000)	(9)	(\$251,000)	(\$395,000)	(\$33,000)
10% of 46Kton Quota	4,600	1,746	\$1,302,000	\$2,473,000	35	\$942,000	\$1,482,000	\$125,000

* Value Added is the difference between total business revenue from the sale of a good, and the cost of raw materials, services, and other components used in production of the good. Thus, it is a measure of the value that the business has added to the factors of production in the process of producing the good.

Extended over three fiscal years, or seasons, assuming status quo and no change between years, each quota option would result in the following State & Local tax impacts: \$(191,000), \$(33,000), and \$125,000 for zero, 2,300, and 4,600 ton quota options, respectively.

B. Fiscal Impact On State Government

Calculations for Fiscal Impact Statement, Section B, Item #4.

a. State Landings Tax Revenue Impact Projections Methods.

Commercial herring fishing landings are subject to a "Specific Tax", at a rate of \$.0013 per pound. Thus each of the herring harvest options, converted to pounds, can be multiplied by the specific tax of \$.0013 per pound to derive a landings tax projection. Landings tax revenue are paid to the State by the dealers and sent in to the California Department of Fish and Wildlife on a quarterly basis.²

Herring Fishery - Total and Incremental** State Landings Tax Projections						
	2013-2014 Harvest Quota Option (ton)	2013-2014 Harvest Quota Option (lbs converted)	Estimated Total Landing Tax Revenue Potential From Harvest Quota Option (2012\$)	Incremental Change In Harvest Tons (Relative To 2,854 ton In 2012-2013)	Incremental Change In Harvest In Pounds (Relative to 2012- 2013)	Incremental Change in Landings Tax Revenue (Relative to 2012-2013)
Zero Quota	-	-	\$0	(2,854)	(5,708,000)	(\$7,420)
5% of 46Kton Quota	2,300	4,600,000	\$5,980	(554)	(1,108,000)	(\$1,440)
10% of 46Kton Quota	4,600	9,200,000	\$11,960	1,746	3,492,000	\$4,540.

** The Incremental Change is the amount of change projected for the given indice or metric under review, as compared to the prior seasons indice's or metric's value for the potential landings allowed under regulation.

Thus, for example, the incremental change under a zero quota option, relative to last season, would be an incremental loss of approximately \$7,420 in commercial herring landings taxes to the State. Extended over three years, or seasons, assuming status quo and no change between years, then the quota options would result in the following landings tax impacts to the State: \$(7,420), \$(1,440), and \$4,540, for zero, 2,300, and 4,600 ton quota options, respectively.

1/ IMPLAN, originally developed by the US Forest Service and Federal Emergency Management Agency and USDI Bureau of Land Management, is a highly flexible tool used to build social accounts and Input/Output (I/O) models and generate regional impact scenarios and multipliers for various changes in regional economies and industry. IMPLAN is manufactured and distributed by Minnesota IMPLAN Group, Inc., 1725 Tower Drive West, Ste. 140, Stillwater, Minnesota 55082, www.implan.com.

2/ See California Fish and Game Code, Sections 8040-8070. Section 8042, "The amount of the landing tax under this article shall be determined by multiplying the tax rate for the type of fish delivered by a commercial fisherman in this state in accordance with the schedule in Section 8051 by the number of pounds, or fraction thereof, delivered. If the tax is imposed based upon weight in the round, and the fish is cleaned, gutted, beheaded, or otherwise not in the round at the time of delivery, the taxes shall be

adjusted by a conversion factor as determined by the department by regulation.”
Section 8051, “(a) The landing tax imposed pursuant to Section 8041 shall be
determined pursuant to Section 8042 by using the tax rates in the following schedule: ...
(16) Herring \$.0013.”