

4-5-2013

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE
ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)
STD. 399 (REV. 12/2005)

See SAM Section 6601 - 6616 for Instructions and Code Citations

DEPARTMENT NAME Department of Fish and Wildlife	CONTACT PERSON Margaret Duncan, Research Prgm Specialist (Econ)	TELEPHONE NUMBER 916 653-4676
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Amendments to Section 29.15, Title 14 CCR, Abalone.		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 checked="" 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: unknown Describe the types of businesses (include nonprofits.): Coastal businesses providing goods and services to recreational fishers in the vicinity of the abalone fishery sites in Northern California.

Enter the number or percentage of total businesses impacted that are small businesses: 100%

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

Explain: The effects of these regulatory options will not create/eliminate businesses in the regional economies of the state.

4. Indicate the geographic extent of impacts: Statewide Local or regional (List areas.): Northern California coastal regions in Mendocino, Sonoma, Humboldt, Marin and Del Norte counties.

5. Enter the number of jobs created: 0 or eliminated: 0-82 Describe the types of jobs or occupations impacted: Coastal good and services providers: lodging, food, retail.

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: The proposed regulation will not impact the costs to produce commercial 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? \$ N/A

- | | | |
|---|--------------------------------|--------------|
| 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, nor new fees or reporting requirements. Some indirect losses may occur as demand for goods and services decline due to diminished sport fishing.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

2. If multiple industries are impacted, enter the share of total costs for each industry: 29% Food and Retail/Wholesale Sales; 16% Auto Service/Fuel; 14% Boat Maintenance; 14% Sporting Equipment Sales/Rent/Lease; 12% Lodging and Recreational Service

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: _____

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 sport fishers and supporting businesses by maintaining a sustainable north coast abalone fishery and future sport harvest opportunities. 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: See attached ISOR.

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: See attached calculations worksheet

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

Regulation:	Benefit: \$ <u>See attached</u>	Cost: \$ _____
Alternative 1:	Benefit: \$ <u>calculations</u>	Cost: \$ _____
Alternative 2:	Benefit: \$ <u>worksheet.</u>	Cost: \$ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: See attached calculations worksheet.

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: The proposed regulations represent changes in performance standards, in the form of changes to daily or annual bag limits or in the hours, months, or location of take of sport-caught abalone.

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.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

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.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

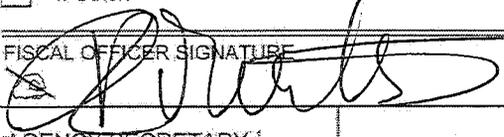
5. No fiscal impact exists because this regulation does not affect any local entity or program *with respect to Section 6 of Article XIII B of the California Constitution.*
6. Other.

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. *See attached 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 	DATE 4/29/13
AGENCY SECRETARY ¹ APPROVAL/CONCURRENCE 	DATE
DEPARTMENT OF FINANCE ² APPROVAL/CONCURRENCE 	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

Economic Impact Statement

D. Alternatives to Regulation

1. List Alternatives Considered

Three alternatives were considered on the basis of biological and economic impacts.

1. Increase Minimum Size to 7 ¾ or Eight Inches

This alternative proposed to reduce the total catch of abalone by increasing the minimum size limit to 7 ¾ or eight inches from the current seven inches.

2. Repeal Minimum Size Limit

This alternative proposed to remove the current size limit, and count all abalone taken toward the bag limit. The intent is to decrease incidental mortality to undersized abalone from accidental harvest.

3. Second Card

This alternative proposed to establish a second abalone report card that would have increased geographic restrictions and additional costs. This alternative was considered as another method to further reduce the take in Sonoma and Marin counties. The second card would enable access to Mendocino county and areas north for more avid abalone fishers at an additional cost.

2. Statewide Costs and Benefits

Regulation. The proposed regulation includes closure of the Fort Ross area as well as multiple options with varying costs and benefits. Depending on which regulatory option the Commission chooses, the proposed action could reduce recreational abalone activity expenditures and thus reduce direct revenue by 1.4 percent to as much as 36.9 percent. These outcomes could result in adverse revenue impacts to businesses ranging from \$182,000 (2009\$) to \$4.8 million (2009\$) in potential direct revenue losses.

Alternative 1 was rejected because larger numbers of abalone are likely to be taken from the fishery via injury-related mortality, to the detriment of the abalone population and with no benefits to the public. This alternative might have reduced potential economic impacts relative to the proposed regulation by allowing recreational abalone harvest to continue at or near current levels. However the long-term ecological impacts would outweigh any short-run economic benefits.

Alternative 2 was rejected because harvesting immature abalone could further reduce the spawning population and diminish fishery yields. Additionally this alternative does not guarantee reductions in incidental mortality and poaching, which both constitute the taking of abalone with no department revenue or benefits to the public. This alternative might have lessened potential economic impacts relative to the proposed regulation by allowing recreational abalone harvest to continue at or near current levels. However the long-term ecological impacts would outweigh any short-run economic benefits.

Alternative 3 was rejected because the costs would increase for avid fishers; illegal take could be more likely with a second card option; it would increase the complexity of regulations, enforcement, data entry and analysis; implementation costs would be about \$13,000 to the Department. Furthermore, the actual economic benefits would be dependent on the numbers of tags per card, the price of the card, and the number of individuals electing to purchase an additional card.

3. Quantification Issues

Estimating a regulatory program's implementation costs is fairly straightforward by reviewing personnel needs, equipment requirements, and operational costs over time. However, estimating the economic value of a resource and the net economic impacts induced by a regulatory change is not.

Travel costs and related expenditures can approximate what abalone sport fishers are willing to pay in order to access and enjoy the pursuit of abalone resources. The proposed regulatory change could reduce the potential amount of abalone value available to each fisher. Under some options, the total reduction may be enough to induce some to not undergo the direct and incidental costs involved in abalone fishing. However for some, the consumer surplus (the value in excess of the dollar value of the abalone, fuel, food, lodging and other costs) could be high enough to continue to participate in the sport fishery activity. Consequently, expenditure information alone may underestimate the true value, monetary and non-monetary, of the resource to the sport recreationist.

Fiscal Impact Statement

A. Fiscal Impact on Local Government

1. Tax Revenue Impact Projections Methods

a. Sales Tax

Each Proposed Abalone Regulation Option was evaluated as to what extent it would impact travel times, visits to each fishery area, and length of stay to each area. These activities involve participant expenditures in the retail, food and accommodations, automotive service and fuel, sporting equipment sales/rent/lease, and recreational services sectors. These direct expenditures

generate local sales and transient occupancy taxes for the fishery area local governments. The California State Board of Equalization (BOE) reports local sales tax rates for the areas under evaluation. Local sales tax rates in Sonoma, Marin, Mendocino, Humboldt, and Del Norte counties range from 1.5% to 2.5%. Reduced spending due to reduced numbers of visits and reductions in the length of stay could result in sales tax revenue losses of up to \$266,000 over the season.

b. Transient Occupancy Tax (TOT)

Abalone fishers’ survey responses reveal that those who travel a greater distance to the fishery area are more likely to choose to stay overnight in the area. Those who live in the closest proximity to harvest sites and those who harvest in the earliest hours of the day show a lower likelihood of staying overnight. Overnight stays are often at private campgrounds, motels, and hotels, all of which collect TOTs. County Treasurer Tax Collectors report the county transient occupancy taxes. TOT rates in Sonoma, Marin, Mendocino, Humboldt, and Del Norte counties range from 9% to 10%. The projected losses in overnight stays range from 1,000 to 10,000 nights, which could result in losses in local TOT revenues to local governments from \$7,600 to \$76,000 over the season.

B. Fiscal Impact on State Government

1. CDFW Revenue Impact Projections Methods

a. Changes in Abalone Report Card Sales for each Option

Estimates of card sales losses or gains are based on License and Revenue Branch (LRB) sport fishing license volume and revenue historical records. Surveys of the abalone fishing community, fishers and businesses also inform these estimates. Apparent relations between changes in take limits and license sales may not be indicative of continued patterns in the future. Other factors may influence participation in the fishery, such as gas prices, weather, consumer confidence and other unknowns. Depending on the regulatory option(s) chosen, reductions in abalone card sales are estimated to range from 1,000 to 4,000, cards which could result in card sales revenue losses from \$21,860 to \$87,440 at the 2013 card price of \$21.86. Assuming similar decreases in report card sales, potential losses in revenues for Fiscal Years 2014 and 2015 are projected below:

Fiscal Year	Potential Report Card Revenue Loss
2014	\$22,410 to \$89,640
2015	\$22,950 to \$91,800

2. CDFW Expenditure Impact Projection Methods

a. Program Implementation Costs

Automated License Data System (ALDS) and License and Revenue Branch (LRB) provided cost estimates for the implementation of the proposed abalone regulation options to significantly reduce take in Sonoma and Mendocino counties and generally reduce overall take of Abalone. These estimates involved the evaluation of personnel, printing and materials, and vendor costs of implementing each regulation option. The only regulatory action that was found

to increase Department costs is as detailed below. The estimated department costs for the closure of the Fort Ross area:

ALDS Costs: \$625 (10 personnel hours to recreate & test Abalone location codes)

LRB Costs: \$0

Total Costs: \$625