DEPARTMENT OF FINANCE

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December 31, 2014

Margaret Duncan
Fish and Game Commission
Resources Agency
1416 9th St., 12th floor
Sacramento, CA 95814

Thank you for submitting the combined standardized regulatory impact assessment for the proposed Prohibition on the Use of Lead Ammunition regulations. While the impacts would not meet the major regulations threshold, we appreciate your efforts in providing information to help the public and stakeholders understand the tradeoffs that were made in the regulatory design.

Based on our understanding, the proposed regulations would implement a ban on lead ammunition used for hunting wildlife in California by 2018. While the statute is silent on how to achieve this ban, these proposed regulations balance the benefits and costs by phasing in the ban. Based on an assumed 5-percent reduction in hunting, the Fish and Game Commission estimated a decrease of $27.4 million in output, driven by a $13.5 million reduction in hunter expenditures. In addition, there would be a $2.3 million reduction in state revenue, of which roughly half is from the reduction in fees from hunters, and the remainder is from reduced economic activity. Although the total impact estimated does not exceed Finance's major regulation threshold of $50 million, there were alternative assumptions explored that would increase the impact.

Finance concurs with the general approach used, which covers the channels where the regulations will affect businesses and individuals, and the use of an input-output model to link direct and total impacts. However, because the direct impacts of the regulation are incorrectly identified, the estimates of the total impact on output are overstated.

The direct impact of the regulation is the additional cost of non-lead bullets. The IMPLAN input-output model would translate these direct impacts to total impacts (direct, indirect, and induced) via multipliers. However, the Fish and Game Commission used a price elasticity model to assess some of the indirect and induced impacts on other hunting-related expenditures and then applied the multipliers to these results to calculate total impacts. Applying multipliers also to partial indirect and induced impacts overstates the total impacts. In addition, it is incorrect to add the impacts on output and revenue together to derive the total impact of the regulation, because the output impact represents changes in production whereas the revenue impact describes changes in state funds.

Finally, the report mentions current shortages of non-lead ammunition in California. The availability of non-lead bullets and their price are key assumptions in modeling the impacts. If these underlying factors change, the impact assessments would clearly change as well, and perhaps should prompt a re-examination of the phasing. The report could add a section on why the current shortage is not expected to have an impact, or how the Fish and Game Commission plans to address these risks.

These comments are intended to provide sufficient guidance outlining revisions needed in this analysis and for future analysis. If any significant changes to the proposal result in revisions to

the economic impacts in the report, the Fish and Game Commission is reminded that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. A copy of our comments will be posted on Finance's website as well. Please let us know if you have any questions regarding our comments.

Sincerely,

Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Office of Administrative Law
Mr. Charlton Bonham, Department of Fish and Wildlife
Mr. Gabe Tiffany, Department of Fish and Wildlife