STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

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	CONTACT PERSON	TELEPHONE NUMBER
Department of Fish and Game	Terry Tillman, Senior Biologist	916-445-6452
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400		NOTICE FILE NUMBER
Amendments to Section 163 and 164, Title 14, CCR, San Francisco & Tomales Bay commercial herring fishery		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:

- ☐ a. Impacts businesses and/or employees
- ☑ b. Impacts small businesses
- ☐ c. Impacts jobs or occupations
- ☐ d. Impacts California competitiveness
- ☐ e. Imposes reporting requirements
- ☐ f. Imposes prescriptive instead of performance
- ☐ g. Impacts individuals
- ☐ 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: 100%

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 other services or goods 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 0%, 5%, or 10%, the potential incremental changes to State total economic output are estimated to be $(753,000), $564,000, and $2,062,000, respectively (due to the ripple effect and the summed direct, indirect, and induced affect on industry output). See calculations worksheet.

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2. If multiple industries are impacted, enter the share of total costs for each industry: Wholesale trade 24%, Ship building 17%, Industrial machinery 10%, Coating treatments 9%, Automotive repair 8%, Public facilities 8%, Insurers 7%, Retail food & beverage 6%, Rental real estate 6%

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: $ see ISOR	Cost: $ none
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 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 boxes1 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 _____ (FISCAL YEAR) Governor's Budget for appropriation in Budget Act of _____

☐ 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 _____ (DATE) election;

   ☐ 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 _____ (FEES, REVENUE, ETC.) authorized by Section

   _____ 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.

☑ 6. Other. Depending on the option chosen, a zero, 5%, or 10% quota could alter annual State and local tax revenue from the herring fishery by $(58,000), $44,000, or $159,000, 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. Depending on the option chosen by the Fish and Game Commission, a zero, 5%, or 10% herring quota could affect landing tax revenues by $(41,000), $31,000, and $112,000, respectively, for the current year and two subsequent fiscal years. See calculations worksheet.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS (Indicate appropriate boxes1 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	Art Guidera Acting Budget Officer	DATE 5/17/12
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.*

CALCULATIONS WORKSHEET

STD399 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 regional economy; these are the culmination of the Direct, Indirect, and Induced effects and are usually presented as "multipliers".

Using commercial economics modeling software, IMPLAN[1], staff can project the tax impacts of a $1 million change in the affected herring industry, on a statewide level. To derive this local tax effect we project how a $1 million change to the herring fishery ripples through the economy and across other supporting industries, resulting in changes to total economic output, total earnings, taxes, and total employment. Thus, for the $1 million initial change, IMPLAN gives us the following:

For $1,000,000 Initial Change In The Herring Fishery

	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Output	$ 768,739	$ 338,004	$ 421,464	$1,528,207
Labor Income	$ 291,230	$ 114,051	$ 138,197	$ 543,478
Employment (jobs)	5.2	1.8	2.8	9.8
Total Value Added	$ 448,452	$ 188,107	$ 249,324	$ 885,883
Taxes	$ 117,897			

From the above information we then derive the economic multipliers for each economic index: Employment, Total Labor Income, Total Value Added, Taxes, and Total Economic Output. This is accomplished by dividing the above effects by the "Direct Effect" on "Output"; for example to derive the Tax multiplier we take the Taxes direct effect projection for the initial $1 million change, which is $117,897 and divide by $768, 739, where:

$$\frac{\$117,897}{\$768,739} = 0.1534$$

Herring Fishery - Statewide Multipliers For Each Of Five Economic Indices

Economic Impact Index	Output	Employment	Labor Income	Total Value Added	Taxes
Direct Effect	*0.7687*	6.710	0.3788	0.5834	0.1534
Indirect Effect	0.4397	2.394	0.1484	0.2447	
Induced Effect	0.5483	3.639	0.1798	0.3243	
Total Effect	1.9879	12.743	0.7070	1.1524	

For each of the herring fishery harvest quota options: zero, 5%, and 10%, we can now calculate the local tax effect (as well as the effect for the other economic indices), 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 Ex-Vessel Value (@ $302/Ton)	Total Economic Output	Total Employment	Total Labor Income	Total Value Added	Local & State Taxes
Zero Quota	-	-1632	$(492,864)	$ (753,198)	(194.8)	$ (267,861)	$ (436,620)	$ (58,107)
5% Quota	2,854	1222	$369,044	$ 563,976	3.6	$ 200,567	$ 326,930	**$ 43,509**
10% Quota	6,099	4467	$1,349,034	$ 2,061,604	13.2	$ 733,170	$ 1,195,086	**$159,047**

From the above information we can derive the incremental Local and State tax revenue impact projections for each of the herring quota scenarios; zero quota, 5%, and 10% quota, as follows:

Quota	Detailed Local & State Tax Projection Calculations (rounded to thousands)
Zero	**($0_{2012\text{-}2013}$ - 1,632 $ton_{2011\text{-}2012}$) x ($302/ton) x (.7687) x (.1534) = $(58,000)**
5%	**($2,854_{2012\text{-}2013}$ - 1,632 $ton_{2011\text{-}2012}$) x ($302/ton) x (.7687) x (.1534) = $44,000**
10%	**($6,099_{2012\text{-}2013}$ - 1,632 $ton_{2011\text{-}2012}$) x ($302/ton) x (.7687) x (.1534) = $159,000**

Extended over three fiscal years, or seasons, assuming status quo and no change between years, each quota options would result in the

following local and State tax impacts, in nearest thousands: $(58,000), $44,000, and $159,000 for zero, 5%, and 10%, 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 $.0125 per pound. Thus each of the herring harvest options, converted to pounds, can be multiplied by the specific tax of $.0125 per pound to derive a landings tax projection. Landings tax revenue are paid to the State by the dealers and sent in to the Department of Fish and Game on a quarterly basis.[2]

Herring Fishery - Total and Incremental* State Landings Tax Projections

	2012-2013 Harvest Quota Option (ton)	2012-2013 Harvest Quota Option (lbs converted)	Estimated Total Landing Tax Revenue Potential From Harvest Quota Option (2011$)	Incremental Change In Harvest Tons (Relative To 1,632 ton In 2011-2012)*	Incremental Change In Harvest In Pounds (Relative to 2011-2012)*	Incremental Change in Landings Tax Revenue (Relative to 2011-2012)*
Zero Quota	-	-	$ -	(1,632)	(3,264,000)	$ (40,800)
5% Quota	2,854	5,708,000	$ 71,350	1,222	2,444,000	$ 30,550
10% Quota	6,099	12,198,000	$ 152,475	4,467	8,934,000	$ 111,675

*The Incremental Change is the amount of change projected for the given indice or metric under review, as compared to the prior season's indice' or metrics value for the actual landings made. In the 2011-2012 season the actual landings were 1,632 ton out of an allowable 1,920 ton quota.

Thus, for example, the incremental change under a zero quota option, relative to last season, would be a loss of approximately $(41,000) in landings taxes to the State. Projecting landings tax incremental impacts over three years or seasons, and assuming status quo with no change between years, then each quota option would result in the following landings tax impacts to the State: $(41,000), $31,000, and $112,000, for zero, 5%, and 10%, 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 …. $.0125."