

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (REV. 12/2013)

**ECONOMIC IMPACT STATEMENT**

DEPARTMENT NAME <b>Department of Fish and Wildlife</b>	CONTACT PERSON <b>Margaret Duncan    margaret.duncan</b>	EMAIL ADDRESS <b>@wildlife.ca.gov</b>	TELEPHONE NUMBER <b>916-653-4676</b>
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 <b>Amend Sec. 106, 107; Add Sec. 106.5, Title 14, CCR Re: Drift Gill Net Transition Program Implementation</b>			NOTICE FILE NUMBER <b>Z</b>

**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 checked="" type="checkbox"/> a. Impacts business 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):          |

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.**If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.*2. The Department of Fish and Wildlife estimates that the economic impact of this regulation (which includes the fiscal impact) is:  
(Agency/Department)

- ☒ Below \$10 million
- ☐ Between \$10 and \$25 million
- ☐ Between \$25 and \$50 million
- ☐ Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: ~ 70Describe the types of businesses (Include nonprofits): Commercial Fishermen Drift Gill Net Permittees and Fishing Net RecyclersEnter the number or percentage of total businesses impacted that are small businesses: 90 -100%4. Enter the number of businesses that will be created: 0 eliminated: 0Explain: Reduction in gill net harvest offset by other gear types and fisheries. No change in business for destruction/recycling of fish net5. Indicate the geographic extent of impacts: ☐ Statewide  
☒ Local or regional (List areas): Marine Region6. Enter the number of jobs created: 0 and eliminated: 0Describe the types of jobs or occupations impacted: Commercial fishing vessel operator and crew for swordfish w/hand-held hook and line, harpoon, and/or deep set buoy gear to offset gill net losses. No job gains related to the recycling/destruction of drift gill nets.7. 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 ☒ NOIf YES, explain briefly: Drift gill net use is prohibited in neighboring Pacific states.

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**ECONOMIC IMPACT STATEMENT (CONTINUED)****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 Addendum
- a. Initial costs for a small business: \$ 0 Annual ongoing costs: \$ 0 Years: 5
- b. Initial costs for a typical business: \$ 0 Annual ongoing costs: \$ 0 Years: 5
- c. Initial costs for an individual: \$ 0 Annual ongoing costs: \$ 0 Years: 5
- d. Describe other economic costs that may occur: Participation in the gill net transition program is voluntary. Fishermen who relinquish permits and drift gill nets will receive compensation ranging from \$10K to \$110K from designated state and non-state program funds. See Addendum.
2. If multiple industries are impacted, enter the share of total costs for each industry: N/A
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: \$ \_\_\_\_\_  
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: State legislature mandates CDFW to implement program  
Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ none

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

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Reduced bycatch of whales, dolphins, sharks, pinnipeds, sea turtles, including the CA state marine reptile, the Pacific leatherback sea turtle and other state, federal, and/or internationally protected species.
2. Are the benefits the result of: ☒ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?  
Explain: SB 1017 (2018) requires CDFW to implement a drift gill net transition program
3. What are the total statewide benefits from this regulation over its lifetime? \$ 3.89 M + reduced bycatch
4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: Potential increase in activity for businesses involved in destroying or recycling relinquished drift gill nets. Fishermen should have expansion opportunities in the harvest of swordfish with hand-held hook and line, handthrust harpoon, or with deep set buoy gear when this new gear type is made available by federal permit.

**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 alternative considered would be more effective in carrying out the purpose for which the regulation is proposed, would be as effective and less burdensome to affected private persons than the proposed regulation and equally effective in implementing the statutory policy.



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**ECONOMIC IMPACT STATEMENT (CONTINUED)**

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

Regulation: Benefit: \$ 3.89 M Cost: \$ 3.89 M + 1.1 M

Alternative 1: Benefit: \$ N/A Cost: \$ N/A

Alternative 2: Benefit: \$ N/A Cost: \$ N/A

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: \$3.89 M to compensate 69 permittees with \$10K to \$110K for the value of their permit, gill net, and harvest potential with designated funds. \$1.06M ex-vessel value + \$40K state fees losses.

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: This regulatory action is a voluntary transition program away from specific gear (drift gill nets), and thus it is necessarily prescriptive.

**E. MAJOR REGULATIONS** *Include calculations and assumptions in the rulemaking record.*

*California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.*

1. Will the estimated costs of this regulation to California business enterprises **exceed \$10 million**? ☐ YES ☐ NO

*If YES, complete E2. and E3*

*If NO, skip to E4*

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

Alternative 1: \_\_\_\_\_

Alternative 2: \_\_\_\_\_

*(Attach additional pages for other alternatives)*

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

Regulation: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 1: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 2: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

☐ YES ☒ NO

*If YES, agencies are required to submit a [Standardized Regulatory Impact Assessment \(SRIA\)](#) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.*

5. Briefly describe the following:

The increase or decrease of investment in the State: \_\_\_\_\_

The incentive for innovation in products, materials or processes: \_\_\_\_\_

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: \_\_\_\_\_

**ECONOMIC AND FISCAL IMPACT STATEMENT  
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**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 in the current State Fiscal Year which are reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

- ☐ a. Funding provided in \_\_\_\_\_  
Budget Act of \_\_\_\_\_ or Chapter \_\_\_\_\_, Statutes of \_\_\_\_\_

- ☐ b. Funding will be requested in the Governor's Budget Act of \_\_\_\_\_  
Fiscal Year: \_\_\_\_\_

- ☐ 2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

*Check reason(s) this regulation is not reimbursable and provide the appropriate information:*

- ☐ a. Implements the Federal mandate contained in \_\_\_\_\_
- ☐ b. Implements the court mandate set forth by the \_\_\_\_\_ Court.

Case of: \_\_\_\_\_ vs. \_\_\_\_\_

- ☐ c. Implements a mandate of the people of this State expressed in their approval of Proposition No. \_\_\_\_\_  
Date of Election: \_\_\_\_\_

- ☐ d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: \_\_\_\_\_  
\_\_\_\_\_

- ☐ e. Will be fully financed from the fees, revenue, etc. from: \_\_\_\_\_  
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;

- ☐ g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in \_\_\_\_\_

- ☐ 3. Annual Savings. (approximate)

\$ \_\_\_\_\_

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

- ☒ 5. No fiscal impact exists. This regulation does not affect any local entity or program.

- ☐ 6. Other. Explain \_\_\_\_\_  
\_\_\_\_\_

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**FISCAL IMPACT STATEMENT (CONTINUED)****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 in the current State Fiscal Year. (Approximate)\$ 523,000 for program implementation*It is anticipated that State agencies will:*☒ a. Absorb these additional costs within their existing budgets and resources.☐ b. Increase the currently authorized budget level for the \_\_\_\_\_ Fiscal Year☐ 2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

☐ 3. No fiscal impact exists. This regulation does not affect any State agency or program.☒ 4. Other. Explain The Dept. of Fish and Wildlife (CDFW) will experience ongoing revenue losses in drift gill net permit renewals and landings fees starting in fiscal year 2019-20. See Addendum.**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 in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

☐ 2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

☒ 3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.☐ 4. Other. Explain \_\_\_\_\_

FISCAL OFFICER SIGNATURE



DATE

3/11/19

*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 departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.*

AGENCY SECRETARY



DATE

3/15/19

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

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER



DATE

**STATE OF CALIFORNIA  
DEPARTMENT OF FISH AND WILDLIFE**

Amend sections 106 and 107; add Section 106.5  
Title 14, California Code of Regulations  
Re: Drift Gill Net Transition Program Implementation

**STD. 399 Addendum**

**Economic Impact Statement**

The proposed commercial Drift Gill Net Transition Program regulations are undertaken by the California Department of Fish and Wildlife (DFW) to fulfill the intent of the Legislature (Allen, 2018, Senate Bill 1017). The DFW is required to establish a voluntary Drift Gill Net Transition Program (Transition Program) to transition commercial drift gill net permittees from using drift gill nets (DGN) for the shark and swordfish fisheries.<sup>1</sup> The Transition Program and sunset date on DGN permits is developed with the dual purpose of conserving natural resources by reducing bycatch of marine mammals, sharks, and sea turtles, while at the same time supporting sustainable fishing methods.

The program is structured to incentivize a shift toward the use of lower impact fishing gears, while allowing current participants in the drift gill net fishery to continue current practices for a limited duration of time. Some may substitute DGN harvest of swordfish with other existing legal methods, such as hand-held hook and line, handthrusted harpoon, or the new deep set buoy gear authorized under federal law. All these other methods could allow for the continuation of landings of swordfish in California, while minimizing the capture of unintended species. The proposed program would allow California to follow the lead of other states in implementing sustainable alternatives to further the standard for sustainable swordfish fishing globally.

**Section B, Estimated Costs, Question 1.** What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime?

The Transition Program is a voluntary program, such that commercial DGN permittees will not necessarily incur costs to comply with the proposed regulations. Those who choose to voluntarily relinquish their permit and DGN gear will be compensated from \$10,000 to \$110,000 for their DGN permits and nets according to their landings history. The dollar amount received is set to provide compensation for the value of the DGN permit, DGN gear, and for harvest potential. Compensation for the participation of all currently permitted fishermen in the DGN Transition Program would total \$3,890,000

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<sup>1</sup> DGN permittees must indicate their interest to participate in the Transition Program by January 1, 2020, and all remaining DGN permits must be surrendered or revoked as of January 31 of the 4th year following the DFW's notification to the Legislature that funds for the program are available (see Section B, Estimated Costs, Question 1).

dollars (see Table 2). These funds are designated by the legislature from other state and non-state sources (not DFW).

Permittees who have drift gill net landings between April 1, 2012, and March 31, 2018, will receive, to the extent that funds for the Transition Program are available, \$10,000 for their DGN permit, and \$100,000 for their large mesh drift gill net or nets. Permittees with no landings after April 1, 2012, who voluntarily surrender his or her DGN permit and gill net or nets shall receive, to the extent that funds for the Transition Program are available, \$10,000. The drift gill net fishery is a limited entry fishery; records show that of the 69 total permittees, 32 have had landings after April 1, 2012 and 37 have not had landings after April 1, 2012.

**D. Alternatives to the Regulation. 1. List Alternatives considered:**

No other alternatives to the proposed program were considered more effective and less burdensome to affected private persons than the proposed program and equally effective in implementing the statutory policy.

**2. Summarize the total statewide costs and benefits from this regulation:**

Total statewide costs/benefits (Table 1) sum to \$(4,990,622) in costs and \$3,890,000 in monetary benefits along with difficult to monetize bycatch reduction and increased sustainability. The estimated \$3,890,000 for permittee compensation that is funded from non-state and state sources (detail in Table 2) is both a cost and a benefit. The compensation expenditure, in turn is expected to stimulate the economy as an injection of personal income, such that the \$3,890,000 in expenditure is a benefit, as well. The statewide environmental benefits of the Transition Program by further reducing the bycatch of whales, dolphins, sharks, pinnipeds, and sea turtles, including the California state marine reptile, the Pacific leatherback sea turtle, constitute a difficult to monetize benefit, but these outcomes are the principal intent of the legislation.

**Table 1. Total Statewide Dollar Costs/Benefits of DGN Transition Program**

	<b>COST &amp; BENEFIT</b>	<b>COSTS</b>			<b>COSTS/BENEFITS</b>
	<b>Permittee Compensation</b>	<b>Ex-Vessel Value Losses</b>	<b>CDFW Landings Fee Losses</b>	<b>CDFW Permit Revenue Losses</b>	<b>Total Costs</b>
<b>COSTS</b>	\$ (3,890,000)	\$ (1,060,000)	\$ (7,312)	\$ (33,310)	<b>\$ (4,990,622)</b>
<b>BENEFITS</b>	\$ 3,890,000	\$ -	\$ -	\$ -	<b>\$ 3,890,000</b>

**Table 2. Drift Gill Net Permittee Compensation Costs/Benefits**

<b>Landings History*</b>	<b>Permits</b>	<b>Permit Cost</b>	<b>Gear Cost</b>	<b>Total Cost</b>
DGN Landings since April 1, 2012	32	\$ 320,000	\$ 3,200,000	\$ 3,520,000
No DGN Landings since April 1, 2012**	37	\$ 370,000	\$ -	\$ 370,000
<b>Total</b>	<b>69</b>	<b>\$ 690,000</b>	<b>\$ 3,200,000</b>	<b>\$ 3,890,000</b>

\* This is a preliminary estimate based on data available through June 2018.

\*\* Of these, seven DGN permittees received their permit within the past year and could reasonably argue that they have not had time to make a landing. Three more received their permit within the past three years.



### **Ex-Vessel Landings Value Losses to the State**

While DGN fishery landings have been declining substantially over several decades, swordfish landings have averaged a bit over \$1 million in ex-vessel value per year since 2010. Thresher shark landings during the same period have accounted for an average of almost \$60,000 in ex-vessel value a year from the DGN fleet. Absent immediate transition to alternative gear types to substitute for DGN harvest, the state economy could lose approximately \$1.06 million in direct stimulus from swordfish and shark harvest that had been previously caught with DGN methods. However, we anticipate participation to be somewhat staggered, with higher volume vessels continuing for longer periods until the sunset date than lower-value harvesters. Additionally, fishermen who have relinquished their DGN permits and nets may also pursue other gear types. We have not attempted to estimate the contribution of other gear types; instead, the impact is assessed from the existing baseline, with the gradual elimination of DGN harvest of swordfish and shark.

### **CDFW Landings Fee and Permit Fee Revenue Losses**

Additionally the DFW expects to lose an estimated \$40,622 annually in swordfish landings fees, DGN permit renewal or transfer fees revenue starting in fiscal year 2019-20. More detail is provided in the Fiscal Impact Statement below.

## **Fiscal Impact Statement**

### **A. Fiscal Effect on Local Government**

**Answer 5.** *No fiscal impact exists. This regulation does not affect any local entity or program.* No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution.

### **B. Fiscal Effect on State Government**

**Answer 1.** Additional expenditures in the current State Fiscal Year. *\$523,000 for 2.0 DFW personnel for program implementation.*

It is anticipated that DFW will:

- a. Absorb these additional costs within existing budgets and resources.

DFW estimates the need for 2.0 personnel from program, legal and administrative personnel at a cost of approximately \$523,000 to establish and implement the Transition Program, which must be implemented by March 31, 2020. Funding for the DFW's staffing costs is available within existing budget and resources.

Personnel is needed to develop and implement the Transition Program, including personnel to receive and process forms and review landings histories and process payments (by classification: Associate Governmental Program Analyst 0.5 PY, Staff



Services Manager I 1.0 PY, Attorney 0.2 PY). Functions include detailed analysis by the Marine Region, License and Revenue Branch, and Law Enforcement Division, and regulations necessary to implement the program. Coordination with the National Marine Fisheries Service to ensure buyout participants do not transfer, renew, or otherwise utilize a Federal DGN Permit could likely be absorbed with existing staff resources. Limited term personnel would also be required to receive and dispose of DGN gear relinquished to DFW.

The current fiscal year requires the promulgation of regulations, involving necessary changes to conform to the California Code of Regulations, Title 14. DFW estimates it costs between \$25,000 to \$30,000 to promulgate new or amend existing regulations.

**Table 3. Program Implementation Costs by Expenditure Category**

Expenditure Category	FY 2019-20*	Funding
Staffing	\$171,000	Fish and Game Preservation Fund
Staff Benefits	\$97,000	
OE&E	\$189,000	
One Time	\$66,000	
<b>Total Expenditures</b>	<b>\$523,000</b>	

\* Note that the first year costs are absorbed within the existing FY 2018-19 budget.

Sources: 2018-19 CalHR salary schedule, 2018-19 CDFW benefit and overhead rates.

#### **4. Other. California Department of Fish and Wildlife (DFW) Revenue Losses**

DFW expects to lose an estimated \$40,622 annually in drift gill net harvest landings fees, drift gill net permit renewal or transfer fees revenue starting in fiscal year 2019-20.

Holders of DGN permits must pay renewal fees of about \$490.75 per year. As permittees choose to participate in the Transition Program, or as the sunset date approaches for permit revocation, DFW expects to lose permit and transfer fee revenue. That sum will gradually total to approximately \$33,310 annually. Fishermen may choose to enter other fisheries, but absent any alternative permit revenue the deficit in DGN permit revenue will be ongoing.

**Table 4. Drift Gill Net Permit Fee Revenue Permit Year 2012/13–2017/18**

DRIFT GILL NET SHARK / SWORDFISH PERMIT	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Permit Fee Revenue	\$33,245	\$33,633	\$33,617	\$32,235	\$31,861	\$30,416
Number of Permits sold	74	74	73	70	69	64

Finally, the DFW expects to lose an estimated \$7,312 annually in DGN harvest landings fees, that are collected by weight of landed product. Again, former DGN permittees may choose to adopt other methods or enter other fisheries, but absent any alternative landings fee revenue, this deficit would be ongoing.

**Table 5. Drift Gill Net Harvest Landings Fee Revenue Permit Year 2012/13–2017/18**

Fishing Season	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Landing Fee Revenue	\$ 6,172	\$ 8,234	\$ 3,662	\$ 6,289	\$ 9,530	\$ 9,988