

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

**AMEND SECTION 106.5  
TITLE 14, CALIFORNIA CODE OF REGULATIONS  
RE: DRIFT GILL NET TRANSITION PROGRAM TIMELINE EXTENSION**

**STD. 399 ADDENDUM**

**Economic Impact Statement**

The Drift Gill Net Transition Program regulation, effective in September 15, 2019, was promulgated by the California Department of Fish and Wildlife (DFW) to fulfill the intent of the Legislature (Allen, 2018, Senate Bill 1017). DFW was 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 was 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 DGN 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 2019 DGN regulation STD 399 and Addendum disclosed fiscal and economic impacts based on the 69 potential participants in the Transition Program. For the current regulation, which extends the deadline for the surrender of permits and nets to January 31, 2024, a total of 31 possible participants remain and are the basis for the current analysis.

**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?

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<sup>1</sup> DGN permittees must have indicated 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, 2024 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).

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 the remaining currently permitted fishermen in the DGN Transition Program would total \$2,210,000 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.

#### **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:**

#### **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 \$39,813 annually in swordfish landings fees (\$7,312) and DGN permit renewal or transfer fees revenue (\$32,501),

starting in fiscal year 2019-20 (when the regulation became effective). More detail is provided in the Fiscal Impact Statement below.

Total statewide costs/benefits sum to \$(3,244,811) in costs and \$2,210,000 in monetary benefits, along with difficult to monetize bycatch reduction and increased sustainability. The estimated \$2,210,000 for permittee compensation, funded from non-state and state sources, is expected to stimulate the economy as an injection of personal income, such that the expenditure is a benefit, as well (Table 1). The compensation expenditure includes both permit and gear cost reimbursement for permittees with landings since April 2012, and permit-only reimbursement for other participants. 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, although these outcomes are the principal intent of the legislation.

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

	Permittee Compensation (Cost & Benefit)	Ex-Vessel Value Losses (Cost)	CDFW Landings Fee Losses (Cost)	CDFW Permit Revenue Losses (Cost)	Total
<b>COSTS</b>	\$ (2,210,000)	\$ (1,060,000)	\$ (7,312)	\$ 32,501	\$ (3,244,811)
<b>BENEFITS</b>	\$ 2,210,000	\$-	\$ -	\$ -	\$ 2,210,000

See Table Table 4 for CDFW Permit Revenue Losses; See Table 5 for CDFW Landing Fee Losses

**Table 2. Drift Gill Net Permittee Compensation**

Landings History	Permits	Permit Cost	Gear Cost	Total Cost
DGN Landings since April 1, 2012	19	\$ 190,000	\$ 1,900,000	\$ 2,090,000
No DGN Landings since April 1, 2012	12	\$ 120,000	\$ -	\$ 120,000
<b>Total</b>	<b>31</b>	<b>\$ 310,000</b>	<b>\$ 1,900,000</b>	<b>\$ 2,210,000</b>

## 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. \$182,800 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 \$182,800 to continue implementation of the Transition Program, which must be fully implemented by January 1, 2024. Funding for the DFW's staffing costs is available within existing budget and resources.

Personnel is needed to continue implementation 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.

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

Expenditure Category	FY 2020-21 – 2023-24*	Funding
Staffing	\$68,400	Fish and Game Preservation Fund
Staff Benefits	\$38,800	
OE&E	\$75,600	
Total Expenditures	\$182,800	

\* Note that the first year costs are absorbed within the existing FY 2020-21 budget. Sources: 2020-21 CalHR salary schedule, 2020-21 CDFW benefit and overhead rates.

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

DFW expects to lose an estimated \$39,813 annually in drift gill net permit renewal or transfer fees revenue (Table 4) and drift gill net harvest landings fees (Table 5), starting in fiscal year 2019-20 (when the regulation became effective).

Holders of DGN permits must pay renewal fees of about \$490.75 per year. As permittees choose to participate in the Transition Program, and as the sunset date approaches for permit revocation, DFW expects to lose approximately \$32,501 annually in permit and transfer fee revenue. 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 201218**

DGN 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
No. of Permits sold	74	74	73	70	69	64

\*Average of all years = \$32,501

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

\* Average of all years = \$7,312