STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT (REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2013)

Instructions and Code Citations: SAM Section 6601-6616

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME	CONTACT PERSON	EMAIL ADDRESS	TELEPHONE NUMBER
Pesticide Regulation	Joy Dias	joy.dias@cdpr.ca.gov	916-324-4183

DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400	NOTICE FILE NUMBER
Groundwater Protection List	Z

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:

- [x] a. Impacts business and/or employees
- [x] 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):

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 Pesticide Regulation (Agency/Department) estimates that the economic impact of this regulation (which includes the fiscal impact) is:

- [x] 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: 265

Describe the types of businesses (Include nonprofits): amusement parks, private hospitals, buildings & property, apt. & office complexes

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

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

Explain: This proposed regulation is amending a list of pesticides required by Food and Agricultural Code section 13145

5. Indicate the geographic extent of impacts:
- [x] Statewide
- [ ] Local or regional (List areas):

6. Enter the number of jobs created: 0 and eliminated: 0

Describe the types of jobs or occupations impacted: N/A

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 [x] NO

If YES, explain briefly:

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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? $ 80,000-133,000

   a. Initial costs for a small business: $0 Annual ongoing costs: $ 60-100 Years: 5

   b. Initial costs for a typical business: $0 Annual ongoing costs: $ 60-100 Years: 5

   c. Initial costs for an individual: $0 Annual ongoing costs: $ 0 Years: N/A

   d. Describe other economic costs that may occur: none

2. If multiple industries are impacted, enter the share of total costs for each industry: Not able to quantify

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.* $60-100

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: Mandated by Food and Agricultural Code section 13145

   Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $ 80,000-133,000

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: Prevent pesticide pollution of ground water that is used to supply drinking water.

2. Are the benefits the result of: ☒ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?

   Explain: Food and Agricultural Code section 13141

3. What are the total statewide benefits from this regulation over its lifetime? $ $ benefit not quantified

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation:

   no expansion

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 alternatives were considered. Regulation is mandated by Food and Agricultural section 13145.

ECONOMIC IMPACT STATEMENT (CONTINUED)

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

Regulation: Benefit: $ not quantified Cost: $ 80,000-133,000

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

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

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: N/A

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: Regulation is mandated by Food and Agricultural Code section 13145.

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 through12 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: None

The incentive for innovation in products, materials or processes: None

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:

Prevent pesticide pollution of ground water that is used to supply drinking water.

Instructions and Code Citations:
SAM Section 6601-6616

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 _____

_____

Instructions and Code Citations:
SAM Section 6601-6616

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)

$ _____

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 _____

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
	03-25-2014

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
	4/17/14

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

Economic and Fiscal Impact Statement
Department of Pesticide Regulation
Groundwater Protection List Rulemaking
Assumptions and Calculations

Economic Impact Statement

A. Estimated Private Sector

See Attachment

B. Estimated Costs to Private Businesses and Individuals

Food and Agricultural Code (FAC) section 13145(d)(1) requires use reporting by persons who apply pesticides included in the Groundwater Protection List (GWPL) but who do not otherwise report their applications. This requirement is clarified by 3CCR sections 6624(a)(5) and 6627 to require recordkeeping and reporting by persons who use pesticides included in subsection (b) of the Groundwater Protection List for any outdoor institution or outdoor industrial use.

For this rulemaking, DPR assumed that the increase in the number of use reports submitted by businesses who are not otherwise required to report their pesticide use would be equal to the average annual Monthly Summary Pesticide Use Reports (DPR-ENF-060, rev. 4-12) submitted by non-licensed applicators statewide (Table 1). Licensed pest control businesses will not be affected by these proposed regulation changes because they are already required to report all pesticide applications regardless of application site.

Based on the reporting requirements and pesticide use data reported to DPR from 2005 through 2012 for the pesticides proposed to be added to and eliminated from section 6800(b), DPR estimates that this rulemaking would generate an additional 1,062 pesticide use reports for outdoor industrial or outdoor institutional pesticide applications by 265 businesses who are not otherwise required to report their pesticide use (Table 1; also see attachment).

Table 1. Pesticide Use Reporting Data for 2005 – 2012 for Pesticides Proposed to be Added to and Deleted from the Groundwater Protection List (3CCR section 6800[b]).

	Average Annual Monthly Summary Pesticide Use Reports Submitted by Non-Licensed Applicators
Pesticides Added	1,681
Pesticides Deleted[1]	619
Average Annual Increase	1,062

[1] This category does not include pesticides that have been proposed for elimination because they are no longer registered or legal for use in California.

Outdoor industrial and outdoor institutional pesticide use sites primarily include areas surrounding buildings and structures. Since most pesticide use occurs during the warmer months, we estimate that a business affected by the proposed regulation changes would submit an average of four use reports per year. We further estimate that an affected business would spend approximately 30 minutes, with hourly costs ranging from $30 to $50, assembling the required information and completing and submitting the use report. At $15 to $25 per report, annual additional costs for a business would range from $60 to $100 (4 reports/year X $15 - $25/report) and lifetime costs would range from $79,650 to $132,750 (1,062 additional reports/year X $15 - $25/report X 5 years).

We have likely overestimated the impact of the proposed regulation changes on businesses and individuals due to their way application sites are reported on the Monthly Summary Pesticide Use Report form. Businesses are allowed to identify application sites using broad categories such as "structural," "landscape maintenance" or "rights-of-ways." These categories include applications to structures, roadsides, landscapes, utility poles, railways, ditch banks, and waterways which are far more common than applications to outdoor industrial and outdoor institutional use sites.

Fiscal Impact Statement

A. Fiscal Impact on Local Government

Item 1:

DPR estimates that this regulation would result in an additional 2,124 Monthly Summary Pesticide Use Reports submitted to the county agricultural commissioners (CACs) by private businesses (1,062 reports) and by local governmental agencies such as airports, hospitals, libraries, ports, water treatment plants and zoos (1,062 reports) (see attachment).

While the proposed regulation changes are expected to slightly increase the total number of use reports submitted statewide, these changes will have a negligible effect on an individual CAC's annual funding due to the manner in which local assistance funds are disbursed. In Fiscal Year 2012/13, DPR allocated approximately $21 million to the CACs for local assistance as required by FAC 12841(g)(1)(C). This funding was distributed to the CACs based on the mill disbursement criteria included in 3CCR sections 6390 through 6397. In general, funding is based on the amount of pest control activities, costs, workload, and performance reported by an individual county in proportion to that reported by all counties.

In Fiscal Year 2013/14, DPR reimbursed CACs approximately $6 million to process, review and correct approximately 3 million pesticide use *records*[2] submitted by licensed applicators and

[2] A use record is one line of data on a use report. The Monthly Summary Pesticide Use Report summarizes applications by pesticide: if an applicator reported applying two pesticides during a month, CDPR's data system would count this as two pesticide use *records* even though the applicator only submitted one *report.*

property operators, or $2.01/record (3CCR section 6393[b][9]). Because each CAC's reimbursement is based on the total pesticide use records they submit in relation to the total number of pesticide use records submitted by all CACs, the small projected increase in use *reports* submitted will be spread among all CACs and will not have a disproportionate impact any individual county.

Item 6:

Local Governmental Agencies Other Than Public Schools

DPR estimates that there will be no fiscal impacts to local governmental agencies as a result of the proposed regulation changes.

Local governmental agencies control and maintain a wide variety of sites including office buildings, libraries, swimming pools, parks, golf courses, roadsides and rights-of-ways. Applications of restricted or general use pesticides to parks, golf courses, roadsides and rights-of-way by local governmental agencies are reported to CACs on the Monthly Summary Pesticide Use Report (DPR-ENF-060, rev. 4-12). Outdoor institutional applications of pesticides currently listed in the GWPL to sites such as landscaping surrounding county or city office buildings would also be reported by these agencies using this form.

Per the Alameda, Los Angeles, Sacramento, and San Diego CACs, most city and county agencies have restricted materials permits or operator identification numbers (for general use pesticides) and already report much of their pesticide use. In some cases, public works or recreation departments manage pest control for most, or all, of the public agencies within their jurisdiction. They supervise applications by public employees to various county or city properties and submit Monthly Summary Pesticide Use Reports covering these agricultural and non-agricultural applications. To varying degrees, counties and cities also hire licensed pest control businesses to make and report pesticide applications.

The proposed regulation changes may result in adding or deleting a small number of use *records* from the Monthly Summary Pesticide Use Reports that are, and will continue to be, submitted by local governmental agencies. Local governmental agencies that hire licensed pest control businesses will not be affected by the proposed regulatory changes because the licensees are already required to report all pesticide applications they make.

Public Schools

DPR estimates that there will be no fiscal impacts to public schools as a result of the proposed regulation changes.

Public school staff are only required to report applications of restricted pesticides and outdoor applications of pesticides included on the GWPL while licensed pest control businesses are required to report all applications to schools using a special use reporting form (Healthy Schools Act of 2000, Assembly Bill 2260). Although some school districts rely exclusively on licensed pest control businesses for all pesticide applications, many rely on their staff to manage weed and insect pests on their playing fields or landscaped areas. To assess the potential impacts of the proposed regulation changes to schools, DPR obtained "approved" pesticide lists from large school districts in Southern, Central and Northern California and also reviewed school-specific pesticide use data submitted by licensed pest control businesses.

Two of the three schools contacted do not apply any of the pesticides that are proposed to be added to or deleted from the GWPL; the third school allows their staff to apply diquat dibromide, a pesticide proposed to be deleted from the GWPL. This indicates that there may be a slight reduction in the number of pesticide use reports submitted by public schools.

Although the pesticides applied by public school staff are not likely the same as those applied by licensed pest control businesses hired by the schools, a similar pattern was seen in the use reports submitted by the licensees: there was much less use of pesticides proposed to be added to the GWPL than of those proposed to be deleted from it (Table 2). Diquat dibromide, an herbicide applied by both licensed businesses and school staff, accounted for 418 of the 419 reports in the "Pesticides Deleted" category.

Table 2. School Pesticide Use Reporting Data for 2002 – 2011 for Pesticides Proposed to be Added to and Deleted from the Groundwater Protection List (3CCR section 6800[b]).

	Total Annual Pesticide Use Reports Submitted by Licensed Pest Control Businesses
Pesticides Added	282
Pesticides Deleted[3]	419
Difference	-137

While the number of use reports submitted to the CACs by public schools may decline slightly, the available data supports DPR's conclusion that the proposed regulation changes will not impact public schools or to the CACs.

[3] This category does not include pesticides that have been proposed for elimination because they are no longer registered or legal for use in California.

B. Fiscal Impact on State Government

Adding pesticides to section 6800(b) – and potentially increasing the CACs' workload for review, processing and correction of pesticide use records – would not increase the amount of local assistance funding required to be provided to the CACs. The amount of DPR fund allocated to the CACs for local assistance is mandated by FAC section 12841(g)(1)(C) and is currently set at 7.6 mills per dollar of sales for all pesticides sold in California. DPR distributes this funding to the CACs based on the mill disbursement criteria included in 3CCR sections 6390 through 6397. In general, funding is based on the amount of pest control activities, costs, workload, and performance reported by an individual county in proportion to that reported by all counties. Due to this funding method, the small projected increase in the number of use *reports* submitted will be spread among all counties and will not have a disproportionate impact one any individual county.

FAC section 13148 requires DPR to monitor pesticides included in section 6800(b) to determine whether they have migrated to ground water. DPR currently has resources to monitor for two to 14 pesticides per year. Monitoring has been completed or is underway for 55 of the 101 pesticides currently listed in section 6800(b). Three of the remaining 46 pesticides are no longer registered for use in California; monitoring must still be done for 43 registered pesticides on the current list. Adding 25 pesticides to section 6800(b) will not increase the number of pesticides DPR can monitor per year. Therefore, this rulemaking will not result in an increase in annual monitoring costs.