

ATTACHMENT 1
ECONOMIC IMPACT STATEMENT

B. ESTIMATED COSTS

Estimated costs were calculated by assessing the ongoing impact on data broker businesses each year. The Department estimates that 475-500 data brokers operate in California and will be required to register under the provisions of Assembly Bill (AB) 1202 (Chapter 753, Statutes of 2019). The registration fee for each data broker business will be set in the amount of \$400.00. Based on the volume of data broker businesses, and the fact that registration would be an ongoing cost for each business, the Department estimates the total statewide dollar costs that businesses may incur to comply with this regulation over its lifetime to be approximately \$2,064,900.00.

Volume:

The Department estimates that approximately 475-500 data brokers will register with the Department. This estimate is based on both the number of data brokers that have registered since January 1, 2020. As of June 26, 2020, 373 data brokers have registered with the Department. Businesses have registered as data brokers at a continually decreasing rate since the first month of registration. Assuming that this trend continues through the end of this year, approximately 475-500 businesses will either register, or renew their registration, as data brokers annually.

Fee:

This regulation establishes a registration fee of \$400.00. The revenue resulting from the fee will not exceed the Department's costs to establish and maintain the information website required by AB 1202.

The Department will have ongoing costs of approximately \$200,000.00, based on the following:

- Personnel costs: \$166,011.00 - \$186,795.00
 - One Information Technology Specialist I, Range C
- Departmental fees: \$22,478.00 - \$25,292.00

By dividing the above ongoing costs to the Department by the estimated number of data brokers that will register, or renew their registration annually, the Department calculated an annual registration fee of \$400.00.

Difference in Costs Established in the Emergency Regulation

The emergency regulation that became effective January 1, 2020, established an initial registration fee of \$360.00. When the Department proposed the emergency regulation, the Department estimated that there would be one-time costs of \$360,972.00, based on the following projections:

- Infrastructure costs: \$142,980.00
 - Software license/subscription - \$2,980.00
 - Accessibility Review - \$20,000.00
 - Drupal 8 Training - \$70,000.00
 - Storage - \$50,000.00
- Personnel costs: \$173,371.00
 - One Information Technology Specialist I, Range C
- Departmental fees: \$44,621.00

The Department was able to eliminate the software license/subscription costs by moving to an electronic payment system. The Department was also able to eliminate the accessibility review costs and Drupal 8 training costs because it was not necessary to migrate the application from Drupal 7 to Drupal 8. Furthermore, the Department was able to eliminate the storage costs because the online registration form has proven to be sufficient and the Department does not need to collect or store additional documentation. The Department originally estimated that approximately 1,000 data brokers would register with the Department. This estimate was based on information available about a similar data broker registry in the State of Vermont. However, the Department has determined that California will have less registrants based on the number that have registered with the Department since January 1, 2020.

After the above cost adjustments were made, the Department determined that the actual one-time costs would be \$196,845.00, based on the following:

- Personnel costs: \$173,371.00
 - One Information Technology Specialist I, Range C
- Departmental fees: \$23,474.00

Because the Department originally established an initial registration fee of \$360.00 in the emergency regulation, and 373 businesses have already registered, the Department should recoup a majority of the one-time costs by the time the emergency regulation expires on October 28, 2020, by collecting approximately \$150,000.00 in initial registration fees. Assuming this regulation does not become effective until after October 28, 2020, and the Department needs to readopt the emergency regulation, the Department would be able to recoup the remainder of the one-time costs before this regulation becomes effective. Therefore, it is only necessary to have one consistent fee in this regulation for both initial registration, and renewal of registration.

Statewide Costs:

Since the Department has migrated to an electronic payment system, the Department has contracted a vendor to manage the electronic payment gateway. Each electronic payment will result in a one-time processing fee of either 2.99 percent for VISA/MC/E-CHECK, or 3.5 percent for AMEX which will be paid directly to the vendor. The Department estimates that 50 percent of businesses will use VISA/MC/E-CHECK and 50 percent of businesses will use AMEX, providing an average of a 3.245 percent fee per transaction. Therefore, the average one-time electronic payment processing fee will be \$12.98. The total average cost for a business to make an annual registration payment electronically will be \$412.98. Over the lifetime of this

regulation, businesses and individuals may incur a total of approximately \$2,064,900.00 to comply with this regulation.