
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Senator Susan Rubio

Chair

2025 - 2026 Regular

Bill No: SB 1123 **Hearing Date:** 4/14/2026
Author: Wiener
Version: 2/17/2026 Introduced
Urgency: No **Fiscal:** Yes
Consultant: Brian Duke

SUBJECT: Administrative Procedure Act: major regulations

DIGEST: This bill requires a state agency, when estimating the economic impact of adopting, amending, or repealing a major regulation, to calculate any offsetting benefits, impacts, or savings that might result directly or indirectly from that action and factor that into its economic impact estimate.

ANALYSIS:

Existing law:

- 1) Requires, pursuant to the Administrative Procedure Act (APA), a state agency proposing to adopt, amend, or repeal an administrative regulation to assess the potential for adverse economic impact on California business enterprises and individuals and avoid the imposition of unnecessary or unreasonable relations or reporting, recordkeeping, or compliance requirements.
- 2) Requires, pursuant to the APA, a state agency proposing to adopt, amend, or repeal a major regulation to satisfy additional requirements, including by requiring a state agency to prepare a standardized regulatory impact analysis (SRIA) in the manner prescribed by the Department of Finance (DOF), as specified.
- 3) Defines, for purposes of the APA, a “major regulation” to mean a proposed adoption, amendment, or repeal of a regulation subject to review by the Office of Administrative Law (OAL), as specified, that will have an economic impact on California business enterprises and individuals in an amount exceeding \$50,000,000, as estimated by the agency.

- 4) Requires a Standardized Regulatory Impact Assessment (SRIA) to address certain items, including the creation or elimination of jobs within the state and the competitive advantages or disadvantages for businesses currently doing business within the state.

This bill requires an agency, for purposes of estimating the economic impact of adoption, amending, or repealing a major regulation, to identify and calculate any offsetting benefits, impacts, or savings that might result directly or indirectly from that adoption, amendment, or repeal, and factor those benefits, impacts, or savings into its economic impact estimate.

Background

Author Statement. According to the author's office, "Senate Bill 1123 ensures that laws passed by the Legislature that require regulations are implemented in a timely manner and incorporate benefits of the regulations in their calculation. SB 1123 adds much needed common sense to the regulatory process."

Further, "[c]urrently, the Department of Finance's regulations specify that the economic impact of regulations should be computed without regard to any offsetting benefits or costs that might result directly or indirectly from their adoption. In effect, potential economic benefits to consumers are not factored into whether an often years-long process is triggered. These benefits could include indicators such as lives saved, decreased incidence of asthma, or a reduction in consumer frauds and scams. Such benefits should be a part of the calculations made by departments and agencies as they undertake their regulatory process. SB 1123 requires California agencies to include economic and other direct and indirect benefits to consumers in their assessment of pending regulations."

And finally, "[r]equiring the consideration of offsetting benefits will significantly speed up implementation of regulations with a significant public benefit, lower the cost to taxpayers of such regulations, and close a loophole that wealthy corporations frequently use to water down important regulations. This change will allow California to deliver faster and more effectively on its promises when the Legislature enacts impactful laws."

The California Administrative Procedures Act. The APA was established in response to concerns that the number of administrative regulations had grown significantly, and that many regulations were written in an unclear and unnecessarily complex manner. The APA aims to ensure that regulations are written in a comprehensible manner, are authorized by statute, and are consistent with statute. To achieve these goals, the APA established the OAL as a central

office within state government charged with the orderly review of adopted regulations. The OAL is responsible for reviewing regulations to ensure that they are written in a comprehensible manner, are authorized by statute, and are consistent with other law. The OAL is also tasked with reducing the number of administrative regulations and improving the quality of those regulations that are adopted.

State agencies must actively seek to reduce the unnecessary regulatory burden on private individuals and entities by substituting performance standards for prescriptive standards wherever performance standards can be reasonably expected to be as effective and less burdensome, and that this substitution shall be considered during the course of the agency rulemaking process.

Overview of the California Rulemaking Process. In general, the Legislature enacts laws that direct state agencies to carry out certain policy objectives but often leaves the details of implementation to those agencies. Through the rulemaking process, agencies develop more detailed regulations consistent with statute, evaluate different policy approaches, assess potential economic impacts, and identify options that best achieve the Legislature's intent in a cost-effective way.

The APA establishes the framework for this process and is intended to ensure that regulations are clear, necessary, legally valid, and not more burdensome than needed to implement the policy. Under the APA, a state agency proposing to adopt or amend a regulation must explain the basis for the proposal and provide the public with a meaningful opportunity to review the comment before the regulation is finalized. Regulations must also be adopted in compliance with the requirements and standards enforced by the OAL.

More than 200 California state agencies are delegated authority by the Legislature to promulgate regulations implementing state law. Although hundreds of regulations are submitted to OAL each year, generally fewer than a dozen each year are considered major regulations.

Standardized Regulatory Impact Analysis. SRIA is an evaluation conducted by a state agency proposing to adopt, amend, or repeal a "major regulation." The purpose of this analysis is to assess the potential economic, social, and environmental impacts of the proposed regulation on businesses, consumers, and other stakeholders. SB 617 (Calderon, Chapter 496, Statutes of 2011) requires state agencies to conduct a SRIA when that agency estimates that a proposed regulation has an economic *impact* exceeding \$50 million.

In California, DOF oversees the standardized regulatory impact analysis process and provides guidance to state agencies. The analysis typically includes information on the problem the regulation aims to address, the objectives of the regulation, alternative options considered, and the potential benefits and costs associated with the proposed regulation.

The goal of a SRIA is to ensure that the potential impacts of regulations are thoroughly assessed and weighed against alternative solutions, and to promote transparency and informed decision-making in the rulemaking process. For purposes of the APA, “major regulation” generally means the proposed adoption, amendment, or repeal of a regulation that would have an economic impact on California business enterprises and individuals in an amount exceeding \$50 million, as estimated by the agency.

All proposed major regulations since 2014 and completed corresponding SRIAs are available online at the [DOF’s internet website](#). Since 2014, state agencies proposed and conducted SRIAs for 94 major regulations, excluding withdrawn or resubmitted regulations. The California Air Resources Board has the largest portfolio of major regulations; it conducted 28 SRIAs from 2014 to 2022.

SB 617 amended the APA to establish a new process for analyzing and reviewing major regulations. Specifically, that bill requires a state agency to prepare a SRIA for any major regulation after November 1, 2013, and submit to DOF for review and comment. The DOF promulgated regulations defining “major regulation” to mean:

any proposed rulemaking action adopting, amending, or repealing a regulation subject to review by OAL that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars (\$50,000,000) 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 (as estimated by the agency), *computed without regard to any offsetting benefits or costs* that might result directly or indirectly from that adoption, amendment or repeal.

According to a 2024 report by RAND titled “[Guidelines for Conducting California Standardized Regulatory Impact Assessments](#):” in this context:

in this context, the *economic impact* is the sum of the absolute value of all benefits and costs of the proposed regulatory action, as opposed to the net benefits (i.e., benefits minus costs). In other words, a proposed rulemaking

action that is anticipated to produce \$26 million in benefits and \$25 million in costs would have an economic impact of \$51 million and thus be considered a major regulation; the net benefits of the proposed rulemaking action would be only \$1 million. This calculation includes direct impacts of the regulation, such as costs and benefits incurred by workers, employees, or customers of the regulated industry as an immediate result of changes mandated by the regulation. This calculation should also include secondary or indirect impacts of the regulation, such as changes in local tax revenue or changes in the revenues of industries that are not the immediate target of new regulatory requirements.

This bill requires a state agency, for purposes of estimating the economic impact of adopting, amending, or repealing a regulation (prior to triggering a full SRIA), to identify and calculate any offsetting benefits, impacts, or savings that might result directly or indirectly from that adoption, amendment, or repeal and factor those benefits, impacts, or savings into its economic impact estimate.

The author's office argues, "as a result of DOF's regulations, when the economic impact of a regulation is being assessed, an agency must take into account the absolute value of all benefits and costs of the proposed regulatory action, instead of the net benefits." This bill would require a state agency, prior to initiating a full "major regulation" SRIA process, to account for any potential offsetting benefits of a proposed regulation in the initial economic impact assessment as required by the APA.

A coalition of opposition to the bill argue that this would "effectively end SRIA" by redefining the triggering economic threshold determination. Opponents believe this would lead agencies that do not want to undergo a full SRIA process to estimate benefits that would outweigh the costs, thus avoiding the "major regulation" designation.

Major Regulation Process vs. "Regular" Regulation Process. Although a full SRIA is not required for "regular" or "nonmajor" regulations, state agencies must still complete an economic and fiscal impact analysis (Standard Form 399) that requires an analysis of the potential economic impacts of the regulation. However, many of the statutory requirements for nonmajor regulations are similar to those for SRIA and major regulations. For example, for all regulations, agencies are required to adopt the most cost-effective regulatory approach to address an existing problem and estimate impacts on jobs and businesses. DOF generally provides guidance and oversight for nonmajor regulations; much of the review focuses on fiscal effects related to state and local government.

The rulemaking agency begins by gathering research and consulting with experts and stakeholders to inform the initial development of the regulation. If the agency determines that the regulatory action constitutes a major regulation, it must notify DOF of the intent to promulgate a major regulation (through a DF-130 form) and develop a SRIA to assess the potential economic impacts and compare the benefits and costs of regulatory alternatives.

Prior/Related Legislation

SB 885 (Strickland, 2026) among other things, prohibits a state agency from taking final action to adopt a major regulation until certain requirements are met, including that a state agency submit a proposal to the Legislature recommending legislation to authorize the adoption of the major regulation and the Legislature enacts a law expressly authorizing the state agency to adopt that major regulation, as specified. (Pending in the Senate Governmental Organization Committee)

SB 986 (Seyarto, 2026) among other things, prevents a major regulation from taking effect until the Legislature enacts a law to approve the regulation, except as provided, and requires a state agency to consider the estimated cost savings or financial benefits to society of any proposed major regulation in a SRIA, as specified. (Pending in the Senate Governmental Organization Committee)

SB 1204 (Ochoa Bogh, 2026) requires the OAL, within 60 days of returning a disapproved regulation to the adopting agency, to report the disapproval and the reasons for disapproval to the Legislature, as specified. (Pending in the Senate Appropriations Committee)

SB 617 (Calderon and Pavley, Chapter 496, Statutes of 2011) revised various provisions of the APA and requires each state agency to prepare a SRIA, as specified, with respect to the adoption, amendment, or repeal of a major regulation, proposed on or after November 1, 2013.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

Consumer Federation of California (Source)
Active San Gabriel Valley
Association of Regional Center Agencies
California Environmental Voters
California Federation of Labor Unions, AFL-CIO
California Product Stewardship Council

California Professional Firefighters
California Rural Legal Assistance Foundation
Carbon Accountable
Center for Environmental Health
Ceres
Coalition for Clean Air
Consumer Attorneys of California
Environmental Defense Fund
Health Access California
Monterey Bay Aquarium
Pacific Environment
The Environmental Protection Information Center
Worksafe

OPPOSITION:

American Petroleum and Convenience Store Association
Brea Chamber of Commerce
Building Owners and Managers Association of California
CalForests
California Apartment Association
California Association of Sheet Metal & Air Conditioning Contractors National Association
California Association of Winegrape Growers
California Attractions and Parks Association
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Construction and Industrial Materials Association
California Council for Environmental & Economic Balance
California Farm Bureau
California Framing Contractors Association
California Fuels and Convenience Alliance
California Hotel & Lodging Association
California League of Food Producers
California Manufacturers and Technology Association
California Restaurant Association
California Retailers Association
California Travel Association
California Trucking Association
Carlsbad Chamber of Commerce
Colusa County Chamber of Commerce

Corona Chamber of Commerce
Dana Point Chamber of Commerce
Danville Area Chamber of Commerce
Fairfield-Suisun Chamber of Commerce
Garden Grove Chamber of Commerce
Gilroy Chamber of Commerce
Greater Bakersfield Chamber of Commerce
Greater High Desert Chamber of Commerce
Greater Irvine Chamber of Commerce
Greater San Fernando Valley Chamber of Commerce
Greater Tehachapi Chamber of Commerce
Housing Contractors of California
Imperial Valley Regional Chamber of Commerce
Laguna Niguel Chamber of Commerce
Long Beach Area Chamber of Commerce
Los Angeles Area Chamber of Commerce
Modesto Chamber of Commerce
NAIOP California
Norwalk Chamber of Commerce
Oceanside Chamber of Commerce
Orange County Business Council
Palm Desert Area Chamber of Commerce
Rancho Cordova Area Chamber of Commerce
Redondo Beach Chamber of Commerce
San Diego Regional Chamber of Commerce
San Diego Regional East County Chamber of Commerce
San Rafael Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Simi Valley Chamber of Commerce
South Bay Association of Chambers of Commerce
TechNet
Torrance Area Chamber of Commerce
Vernon Chamber of Commerce
Western Growers Association
Western Propane Gas Association
Western States Petroleum Association
Wilmington Chamber of Commerce
Wine Institute
Yorba Linda Chamber of Commerce
Yuba Sutter Chamber of Commerce

ARGUMENTS IN SUPPORT: In support of the bill, the California Federation of Labor Unions, AFL-CIO writes in part that in 2011, “SB 617 (Calderon) was signed into law establishing additional regulator impact assessment standards for major regulations with a projected regulatory impact on business and residents over \$50 million. Then in 2013, the [DOF] adopted regulations for state agencies to follow when conducting a [SRIA], which takes into account quantitative, monetary, and non-monetized impacts. As a result of DOF’s regulations, when the economic impact of a regulation is being assessed, an agency must consider the absolute value of all benefits and costs of proposed regulatory action, instead of the net benefits.

“Although SB 617 intended to require agencies to assess the costs of a proposed rulemaking, the current process is now frequently leveraged to impede the implementation of any legislative victory. For example, some stakeholders may seek to slow down the regulatory process by using the SRIA or regulatory agencies may have delays in establishing critical regulations because of the complex assessment in a SRIA that does not appropriately consider the benefits of a proposed regulation. This process frequently offers the state’s wealthiest corporations a unique path to delay the implementation of legislatively intended oversight, even when such oversight would self-evidently save the state money. This can have dire consequences for workers when these tactics are used to delay modest health and safety regulations intended to help protect workers on the job.”

And finally, “SB 1123 modifies the regulatory impact assessment standard for major regulations to prevent the delay in agencies adopting regulations by shifting to a system where agencies must account for any offsetting benefits for the proposed regulation when determining whether a proposed regulation would result in an economic impact greater than \$50 million. This measure will help streamline important regulatory processes to ensure they are carried out in a timely manner.”

ARGUMENTS IN OPPOSITION: In opposition to the bill, a coalition of opposition listed above jointly write, in part, “[s]ince the [SRIA] was created with bipartisan support via 2011’s SB 617 (Calderon), California agencies have been required to complete a standardized regulatory impact assessment for so-called ‘major regulations’ (those with economic impact over \$50 million). The purpose of the legislation (and SRIA analysis) was to ensure that detailed economic analysis was completed and publicly available before agencies adopted regulations that would significantly change the landscape of California. In SRIA analysis, agencies are required to broadly consider the cost and effects of the regulation and substantiate their assumptions underlying those considerations. For example, agencies must include: (1) the monetary costs of the regulation; (2) the non-monetary benefits of the proposed regulation; (3) a list of the categories of persons

and businesses likely to be affected; and (4) whether there are other, more cost-effective means to accomplish the same policy goal.

“After the agency completes the SRIA analysis, it must be submitted to the Department of Finance, who reviews the agency’s methodology and conclusions to ensure that the estimates contained therein are methodologically sound, instead of speculation. In the event that an agency has made assumptions that appear incorrect and may influence its calculations, the Department of Finance can require the agency to revise their SRIA to ensure its accuracy. To be clear: any failings in the agency SRIA *do not doom the regulation in any substantive way* – they simply require the agency to revise its work so that accurate numbers are provided to the Department of Finance (and ultimately to the public) prior to final approval.”

Further, “SB 1123 would redefine how SRIA analysis is triggered, such that a regulation would not trigger SRIA analysis if the agency asserted that the net benefits of the regulation outweighed its net costs. Notably, the benefits and costs may apply to different stakeholders – meaning one individual or industry may see a cost increase in the millions (or billions), and another stakeholder may see a benefit in the millions – but no SRIA is triggered unless the net costs exceed net benefits.

“This revision would effectively eliminate the SRIA process. Any agency wishing to avoid the accountability of providing a thorough analysis of their regulation would simply need to estimate the benefits of the regulation to be higher than its cost ... and voila, no SRIA would need to be completed. Furthermore, SB 1123 almost begs the question: what regulation would have net costs exceeding net benefits, and yet still even be proposed?”

And finally, “[a] metaphor illustrates the flaws of this new standard – buying a car. Buying a car is certainly a significant financial transaction, worthy of careful consideration. Though it has considerable costs (time invested to research a car, time to travel to and from a dealership, purchase, make a downpayment, and likely arrange a car loan), the long-term benefits should outweigh those costs (costs avoided for taxi/rideshare services, ability to reach job/social engagements, ability to transport groceries or belongings easily). Yet despite the potential for long term benefits, no one would dispute that the purchase of a car is a major purchase. Furthermore, the details underlying the assumed costs and benefits matter. What if there is, in fact, cheap and easily accessible public transit between your home and workplace? What if a similar (but slightly older) model would, in fact, be significantly cheaper and offer all the same benefits? These are all important questions to consider when making the decision and might confirm that the specific car is indeed a good decision – or they might reveal that it is not. Such

research might reveal that there is, actually, a cheaper, more effective alternative vehicle.

“Tying this back to SB 1123: Just because your initial estimates say that the benefits should outweigh the costs, does that mean the decision is less important, or less deserving of detailed analysis? Certainly not. Yest that is exactly the core of SB 1123 – if the agency estimates that the benefits of a regulation eventually exceed the costs, then detailed SRIA analysis to confirm those estimates is unnecessary. We firmly disagree with the policy behind this suggestion, and its practical effect – allowing agencies to avoid SRIA analysis in the vast majority of cases.