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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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### SB 1123 (Wiener) - Administrative Procedure Act: major regulations

**Version:** February 17, 2026

**Urgency:** No

**Hearing Date:** April 27, 2026

**Policy Vote:** G.O. 9 - 3

**Mandate:** No

**Consultant:** Janelle Miyashiro

**Bill Summary:** SB 1123 requires a state agency, when estimating the economic impact of adopting, amending, or repealing a major regulation, to identify and calculate all direct and indirect offsetting benefits, impacts, or savings.

#### **Fiscal Impact:**

- Unknown, potentially significant costs to state agencies to conduct additional economic modeling required for major regulations (various special funds or General Fund). Actual costs will vary depending on an agency's existing rulemaking processes and the extent to which they already perform the required analysis. Fiscal impacts may range from absorbable to hundreds of thousands of dollars per entity.
- The Office of Administrative Law (OAL) does not anticipate a direct fiscal impact.
- Unknown potential decrease in rulemaking workload for state agencies, to the extent this bill reduces the number of proposed regulations that meet the criteria of a major regulation. Currently, the threshold for what is considered a major regulation is computed without regard to any offsetting benefits (1 CCR Section 2000). By accounting for offsetting benefits, the "net" economic impact of a proposed regulation may fall below the threshold for a "major regulation." Consequently, a state entity would be exempt from the requirement to conduct a standardized regulatory impact analysis (SRIA).

**Background:** A 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 it estimates that a proposed regulation has an economic impact exceeding \$50 million.

In California, the Department of Finance 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 standardized regulatory impact analysis 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. Existing law requires each state agency proposing to adopt, amend, or repeal a major regulation to prepare a SRIA. For purposes of the Administrative Procedures Act, "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.

**Proposed Law:** Requires a state agency, when estimating the economic impact of adopting, amending, or repealing a major regulation, to identify and calculate all direct and indirect offsetting benefits, impacts, or savings from that adoption, amendment, or repeal and factor those benefits, impacts, or savings into its economic impact estimate

**Staff Comments:** Costs for impacted departments will vary depending on how closely their current rulemaking processes already align with the economic analysis required by the bill. For comparison:

- The State Water Resources Control Board (Water Board) anticipates ongoing annual costs of approximately \$750,000 for three additional staff and \$150,000 for economic modeling contracts (various special funds or General Fund).
- The Department of Transportation (Caltrans) anticipates an unknown increase in staff resources needed to prepare economic analyses for major regulations. While DOF currently encourages (but does not require) economic and fiscal impact statements, Caltrans notes this bill's mandates may necessitate additional staff time to complete the required analyses.
- The California Air Resources Control Board, Department of Justice, Department of General Services, California Natural Resources Agency, Department of Technology, Governor's Office of Business and Economic Development, and Labor and Workforce Development Agency report either absorbable or no direct fiscal impacts.

While resource requirements will vary by agency, if even a few state entities share similar needs to those of the Water Board, then the bill's aggregate fiscal impact may reach into the millions of dollars.

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