
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 986 (Seyarto) - Major regulations

Version: April 15, 2026

Urgency: No

Hearing Date: April 27, 2026

Policy Vote: G.O. 14 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: SB 986 establishes a process for the Legislature to review the proposed adoption, amendment, or repeal of major regulations by a state agency, as specified.

Fiscal Impact:

- Unknown, potentially significant costs to state agencies to comply with the proposed legislative review process for major regulations (General Fund and various special funds). Actual costs for each agency will vary based on whether the Legislature exercises its authority to reject a proposed major regulation and the specific timing of the submission (i.e., if the Legislature is in session). Consequently, fiscal impacts may range from absorbable to hundreds of thousands of dollars, depending on whether the review process delays adoption or necessitates significant additional resources to finalize rulemaking.
- The Office of Administrative Law (OAL) anticipates total annual costs in the low thousands of dollars to ensure any Notice of Proposed Action includes new determinations and to review the rulemaking record to ensure new requirements are addressed in an accompanying standardized regulatory impact analysis (SRIA). OAL notes the actual impact on its operations will depend on the length and content of the analysis provided by an agency and the extent to which a legislative rejection might necessitate further revision to the California Code of Regulations (CCR) after it has already been updated.

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, 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 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 considering the adoption, amendment, or repeal of regulations to submit to each house of the Legislature a notice of the proposed action, as specified.
- Requires a notice of proposed adoption, amendment, or repeal of a regulation to additionally include a determination of whether the regulation is a major regulation, including an explanation of why it presumptively is or is not a major regulation.
- Requires each state agency proposing to adopt, amend, or repeal a major regulation to prepare a SRIA additionally addressing all of the following:
 - The estimated effect on state revenue, including the increase or decrease of investment in the state.
 - The estimated cost savings or financial benefits to society.
 - The estimated compliance costs for regulated entities, including secondary or indirect costs.
 - The estimated effect on state expenditures, including estimated administrative expenses.
 - The estimated opportunity cost, including the cost of compliance as a result of the removal of private capital from the market.
 - The sources consulted, key assumptions, and sources of uncertainty.
- Requires a state agency adopting a major regulation to, within five calendar days of approval by OAL, submit the final approved regulation to the Legislature.
- Requires a state agency to notify the Legislature of the major regulation at least 15 days prior to submission.
- Provides a 60 business day review period, from the date of receipt of the major regulation, for legislative review.
 - Requires the Legislature to hold an informational hearing on a submitted major regulation before the expiration of the review period.
 - Authorizes the Legislature to reject the regulation by concurrent resolution. If the regulation is rejected, requires the Legislature to include an explanation for the rejection in the resolution.

- Provides that the review period be tolled for days when the Legislature is not in session and for days when the Legislature is in recess.
- Provides that a major regulation submitted to the Legislature shall not become effective until the review period ends.
- If the regulation is rejected by the Legislature, provides that all of the following apply:
 - The regulation shall not become effective.
 - The regulation shall be returned to the adopting state agency for further consideration.
 - The adopting state agency may revise and resubmit the regulation.
- If the Legislature does not reject the regulation within the review period, provides that the regulation shall become effective.
- Provides that the bill does not apply to emergency regulations.
- States that the review process established by the bill is intended to provide legislative oversight and shall not be construed to impair OAL's authority to review regulations.

Related Legislation: SB 1123 (Wiener, 2026) 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 adoption, amendment, or repeal and factor that into its economic impact estimate. SB 1123 is pending in this committee.

Staff Comments: Costs for impacted departments will vary because of differences in the scope of proposed major regulations. For comparison:

- The California Air Resources Board (CARB) anticipates significant costs, over \$336,000 annually for one additional Attorney III to assist with hearings and other rulemaking workload. CARB notes that any inability to adopt a rulemaking under this bill's constraints may require the development of alternative regulations in other sectors to meet emission reduction commitments, which may increase its rulemaking costs significantly.
- The Labor and Workforce Development Agency (LWDA) notes unknown costs for its increased oversight and coordination responsibilities between its departments and the Legislature. LWDA also anticipates significant cost pressures on its departments and boards to meet new rulemaking requirements.
- The Department of Transportation (Caltrans) notes unknown, potentially significant increased costs for rulemaking. Typically, Caltrans estimates that its rulemaking process requires \$150,000 in staff resources; however, this bill could significantly increase that amount if the department is required to repeat the process for major regulations rejected by the Legislature.

- The California Natural Resources Agency, Department of General Services, and Office of Emergency Services report either absorbable or no direct fiscal impacts.

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

Staff notes other fiscal impacts on agencies will depend on the timing of regulatory submissions to the Legislature. Under this bill, the proposed 60-day review period tolls when the Legislature is in recess or out of session. Generally, once OAL approves a regulation, the office transmits it to the Secretary of State for immediate filing and updates the CCR, at which point the regulation takes effect. Under this bill, if a proposed regulation cannot be adopted because the review period is tolled, both the rulemaking timeline and related agency operations may be impacted.

Additionally, this bill creates uncertainty regarding the statutory one-year deadline for rulemaking. Currently, state agencies are required to finalize and submit rulemaking files to OAL within one year of publishing a Notice of Proposed Action. It is unclear whether a legislative rejection under this bill would necessitate a resubmittal to OAL, potentially jeopardizing the one-year deadline or forcing an agency to restart the rulemaking process entirely. This may result in significant additional costs for agencies.

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