

MAJOR REGULATIONS STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

DF-131 (NEW 11/13)

STANDARDIZED REGULATORY IMPACT ASSESSMENT SUMMARY

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<p>1. Statement of the need for the proposed major regulation.</p> <p>AB 1221, the Responsible Beverage Service (RBS) Training Program Act of 2017 (RBSTPA), is codified in the California Business and Professions Code, Division 9, Chapter 16, Article 4. It requires the Department of Alcoholic Beverage Control (ABC) to develop, implement, and administer a curriculum for a statewide RBS program and promulgate regulations specifically addressing the approval of RBS Training Providers on or before January 1, 2020.</p>		
<p>2. The categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.</p> <p>In initial economic impact of implementation of the RBSTPA for each of the four groups over January 1, 2020 through August 31, 2021 is estimated to be:</p> <ol style="list-style-type: none"> 1. Alcohol Servers as defined in the RBSTPA and the accompanying regulations. - no initial costs 2. ABC On-Sale Licensees - \$100.2 Million 3. RBS Training Providers - \$0.7 Million 4. The State of California, specifically ABC - \$3 Million <p>Ongoing Average Yearly Impact of implementation of the RBSTPA for each of the four groups is estimated to be:</p> <ol style="list-style-type: none"> 1. Alcohol Servers as defined in the RBSTPA and the accompanying regulations. - \$89 per person 2. ABC On-Sale Licensees - \$1,060.70 per small businesses, and \$5,303.50 per typical business 3. RBS Training Providers - None, only start up costs 4. The State of California, specifically ABC - \$0.9 Million 		
<p>3. Description of all costs and all benefits due to the proposed regulatory change (calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency).</p> <p>The costs of implementing the RBSTPA and training 1,000,000 Alcohol Servers will be borne by Alcohol Servers, ABC On-Sale Licensees, RBS Training Providers, and the State. It is anticipated that the date of filing with the Secretary of State will be January 1, 2020.</p> <p>Total costs in 2020 are estimated to be \$20.8 Million. Total costs in 2021 are estimated to be \$80.1 Million. Total costs in 2022 are estimated to be \$19.7 Million. Total costs in 2023 are estimated to be \$24.7 Million. Total costs in 2024, are estimated to be \$61.5 Million.</p> <p>A similar three year direct costs cycle of new hires and retained Alcohol Servers will continue moving forward from 2024 coupled with an estimated 20% yearly turnover for Alcohol Servers, and a 2.11% average yearly growth in the amount of ABC On-Sale Licensees.</p> <p>Benefits of the RBSTPA will most likely not be seen until after the entire California Alcohol Server population is trained after 2021. Total benefits in 2022 and 2023 are estimated to be \$1.75 Billion dollars annually to the California Economy through the reduction of the over use of alcohol by 5%. Total benefits in 2024 estimated to be \$3.50 billion annually to the California Economy through the reduction of the over use of alcohol by 10%</p>		
<p>4. Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed \$50 million.</p> <p>The actual training of the 1,000,000 Alcohol Servers in California is anticipated to begin on September 1, 2020. This will allow one year for all the training to occur prior to the statutory August 31, 2021 deadline. From September 1, 2020, to August 31, 2021, the department estimates a \$100,200,000 economic impact on Alcohol Servers, ABC On-Sale Licensees, and RBS Training Providers. However, it is anticipated the large majority of Alcohol Servers, close to 75%, will choose to comply with the mandatory RBS Training Courses between April 1, 2021 and August 31, 2021. This five month period is estimated to include \$75,200,000 of the economic impact on Alcohol Servers, ABC On-Sale Licensees, and RBS Training Providers stated above.</p>		

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5. Description of the agency's baseline:

Current RBS courses in California, in a limited and fragmented market, are either provided in limited fashion for free by non-profit and governmental organizations, or cost \$30-\$40 per student. There are small fragmented markets for RBS training created by the various local jurisdictions that currently require mandatory RBS training. It is estimated 10% of the Alcohol Servers in California reside in these mandatory areas. It is estimated another 10% of all qualified Alcohol Servers receive at least one RBS training from their employers in non-mandatory jurisdictions. The current RBS training in these circumstances is often ineffective, sporadic, and does not lead to a change in outcomes.

The annual cost to California's economy for the overuse of alcohol is estimated at \$35 billion dollars annually.

6. For each alternative that the agency considered (including those provided by the public or another governmental agency), please describe:

- All costs and all benefits of the alternative
- The reason for rejecting alternative

Proposed solution - ABC Administered Exam

ABC determined it would need to have some sort of online database to make it feasible to enable ABC On-Sale Licensees to ensure Alcohol Servers have been certified under the RBSTPA. An online system would also limit Alcohol Server fraud in manufacturing fake RBS Certifications. In researching the online database system, ABC discovered providing a full service system including an ABC administered Certification Exam would provide the best outcomes. An online Certification Exam would limit the burden on Alcohol Servers, have better accessibility statewide, and provide funds for a contractor, or ABC IT, to build ABC's database, online Certification Exam, and provide support to the Alcohol Servers using the online Certification Exam. An online Certification Exam would remove fraud possibilities from the RBS Training Providers and be self-auditing through collection of exam pass rates and success rates of specific questions and topics.

The ABC Administered Certification Exam option was chosen because it was shown to provide the most large scale economic and educational benefits with the least adverse economic impact upon Alcohol Servers, ABC On-Sale Licensees, and RBS Training Providers.

(See attachment)

7. A description of the methods by which the agency sought public input. (Please include documentation of that public outreach).

ABC has sought public input from the stakeholders most affected by the RBSTPA regulations package through a three stage stakeholder process, an information gathering session, a policy session, and a regulations language review session. To seek this input we have held public stakeholder meetings throughout California for each of the three stages to get as much varied and complete public input as possible. The RBS stakeholders were divided into five different groups: ABC On-Sale Licensees, local government leaders, law enforcement agencies, alcohol policy groups, and current and prospective RBS Training Providers.

ABC also discussed and sought the input of persons at other state agencies that have previously implemented similar programs in Oregon, Vermont, and Washington.

8. A description of the economic impact method and approach (including the underlying assumptions the agency used and the rationale and basis for those assumptions).

ABC has worked with the ABC On-Sale Licensees and other ABC stakeholders to provide estimates of the number various entities directly impacted by the RBSTPA regulations package. These same stakeholders through meetings with ABC have aided in the development of the direct costs associated with each of these groups as the RBSTPA is implemented in 2020 and 2021. ABC relied upon vetted and published academic studies cited to make good faith estimates regarding the indirect benefits of implementing the RBSTPA. ABC used the Regional Input-Output Modeling System (RIMS II) to provide the multipliers to show additional effects of these regulations on the California economy. Where estimates cannot be done with accuracy, due to a lack of available data, or are overly broad, impacts are stated qualitatively rather than quantitatively.

Agency Signature

Date

Agency Head (Printed)

Alexis Podesta; Secretary, Business Consumer Services and Housing Agency (BCSH)

5/22/19

ABC Attachment to Form 131

6. Continued

Alternative 1 - In Person and Online Proctoring for Certification Exam

ABC examined the option of mandating the Certification Exam for Alcohol Servers be formally proctored outside of an RBS Training Course with an exam created by ABC. The proctoring option would ensure RBS Training Providers teach the appropriate material and the Alcohol Server has learned the material with a low likelihood of fraud. A proctored Certification Exam could be used as a self-auditing tool so ABC would not need to allocate significant resources to audit the RBS Training Courses being provided after initial approvals.

The proctoring option would also cause a significant burden upon the Alcohol Servers and ABC On-Sale Licensees. Paying for individual proctoring can cost as much as \$200 per test in rural areas, but averages \$100 per Certification Exam. This additional cost would add over \$233,830,000 to the initial fiscal impact of the RBSTPA regulations package in 2020 and 2021. This cost would then be repeated and spread over the next three years in 2022-2024 as the population of Alcohol Servers experienced turnover and certifications expired after three years. ABC determined the fiscal impact and burden upon Alcohol Servers and ABC On-Sale Licensees under this alternative was too high to be reasonable and rejected this alternative for the administration of the exam.

Alternative 2 -Exam Administered by RBS Training Providers

Many of the existing RBS programs include some sort of exam at the end of their course, but they would need to be updated to comply with the RBSTPA. The estimated cost of \$390,000 would be added to the costs estimated in 2020. These costs would raise the average cost of an RBS Training Course by \$3-\$5 dollars, this would provide no change to the costs and benefits to Alcohol servers, but ABC would need to recover costs directly from the Training Providers. This shifting of costs and benefits does not affect the total estimates of the program,

The market pressures driving RBS Training Providers accredited under this option would lead to faster and less-intensive RBS Training Courses and Certification Exams as RBS Training Providers seek more market share. These market pressures have manifested themselves in other mandatory RBS jurisdictions and are seen as negating the positive indirect economic impacts surrounding overconsumption of alcohol which are the Legislative intent of the RBSTPA. If the implementation of the RBSTPA does not provide at least a one percent reduction to the overuse of alcohol the indirect benefits would not outweigh the considerable costs of implementing the RBSTPA in the California economy. In addition, ABC does not anticipate a five percent reduction in the overuse of alcohol under this alternative providing the \$1,750,530,000 yearly benefit to the California economy. For this reason this alternative was rejected by the ABC.