

# BUDGET LETTER

	NUMBER: 13-30
SUBJECT: ECONOMIC AND FISCAL IMPACT ASSESSMENTS AND REGULATORY REVIEW (STD. 399, SRIA AND SAM)	DATE ISSUED: December 26, 2013
REFERENCES: STATE ADMINISTRATIVE MANUAL SECTIONS 6600-6616, GOVERNMENT CODE SECTIONS 11346.3 AND 11346.36	SUPERSEDES:

TO: Agency Secretaries  
Departmental Directors  
Departmental Budget and Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Regulatory Affairs Offices, Legal Counsels, and Economists.**

## A. Background

Chapter 496, Statutes of 2011 (SB 617) modified the process for state agencies to conduct an economic impact assessment of a proposed regulation. The statute requires agencies to conduct a Standardized Regulatory Impact Assessment (SRIA) for major regulations prior to filing a Notice of Proposed Adoption with the Office of Administrative Law (OAL). In accordance with the Department of Finance's (Finance) regulations for SRIAs, which were adopted on October 2, 2013, a major regulation is "...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 \$50 million 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." The regulations can be found in California Code of Regulations, title 1, sections 2000 to 2004.

## B. Purpose

Due to the statutory and regulatory changes related to the economic impact assessments of proposed regulations, the State Administrative Manual (SAM) and the Standard Form 399—Economic and Fiscal Impact Statement (STD. 399) have been updated. Further assistance for determining a major regulation and completing a SRIA are available on Finance's website. A separate Budget Letter contains information about conducting a SRIA and Finance's review and comment process.

## C. STD. 399—Economic and Fiscal Impact Statement

The STD. 399 is required to be included with the Notice of Proposed Action when a rulemaking agency adopts, amends, or repeals a regulation. To complete this form, an agency analyzes and calculates the potential economic and fiscal impacts of the proposed regulation. The STD. 399 has been updated to reflect the new required estimates for economic impacts from SB 617. Attachment A contains the most current version of the STD. 399 (Rev. 12/2013).

The new or modified sections of the STD. 399 include:

- Section A. (Estimated Private Sector Cost Impacts):  
Question (2) was added to estimate the range of the economic impacts of the regulation. This is intended to help agencies determine if their regulation meets the threshold level of economic impact to be considered a major regulation.
- Section C. (Estimated Benefits):  
Question (1) was rephrased to reflect the changes in SB 617 for all proposed regulations.  
Question (4) was added to clarify that there may be benefits to businesses in addition to the costs discussed in Section B.
- Section E. (Major Regulations):  
Questions (4) and (5) were added to reflect the requirements for a major regulation as defined in SB 617 and to incorporate a summary of the requirements of a SRIA not already mentioned on this form. This section is only applicable to proposed major regulations.

**NOTE: The following is a change to the current process for submitting proposed regulations for Finance's review.**

Finance requests that agencies provide **two** copies of the STD. 399 and associated regulations to the Economic Research Unit for Finance's review and signature.

Economic Research Unit  
Department of Finance  
915 L Street  
Sacramento, CA 95814  
Fax No.: (916) 449-5253

The Economic Research Unit will transmit the form to the appropriate Finance budget analysts and will coordinate with them to monitor consistency between the SRIA and the economic impact statement.

#### **D. State Administrative Manual**

SAM provides instructions on how to complete certain tasks and procedures that relate to statutory requirements on state agencies. SAM 6600 has been added to incorporate Finance's regulations regarding major regulations and SRIAs (California Code of Regulations, Title 1, sections 2000-2004) as required by Government Code section 11346.36(f). Due to the statutory and regulatory changes for assessing the economic impact of regulations, SAM 6601, 6602, 6603 and 6614 have been modified. Attachment B contains the most current version of these SAM sections. These modifications include:

- In SAM 6601, additions that reflect the statutory requirements for conducting an economic impact assessment.
- Three definitions were added to SAM 6602 (Economic Impact, Major Regulation, and Standardized Regulatory Impact Assessment). Also, the definitions of Direct and Indirect Costs were modified to clarify that these are Direct and Indirect Fiscal Costs.

- In SAM 6603, updates were made to ensure consistency between the economic estimates required on the Economic Impact Statement of the STD. 399 and a SRIA for major regulations.
- In SAM 6614, modifications were made to clarify what a signature by a Finance Program Budget Manager on a STD. 399 and Finance's comments on a SRIA signify, and when they are required.

If you have any questions, please contact the Economic Research Unit at (916) 322-2263 or [MajorRegulations@dof.ca.gov](mailto:MajorRegulations@dof.ca.gov).

/s/ Kristin Shelton

Kristin Shelton  
Program Budget Manager

Attachments