COST DRIVER

April 30, 2026

TO: Members, Senate Appropriations Committee

SUBJECT: SB 1123 (WIENER): ADMINISTRATIVE PROCEDURE ACT: MAJOR REGULATIONS
OPPOSE/COST DRIVER – AS INTRODUCED FEBRUARY 17, 2026
PLACED ON SUSPENSE APRIL 27, 2026

The California Chamber of Commerce and the undersigned respectfully **OPPOSE SB 1123** as introduced on February 17, 2026, as a **COST DRIVER** because it will reduce transparency when California's state agencies pass major regulations and thereby deprive both decisionmakers and stakeholders of critical analysis in the rulemaking process.

Background: California's Standardized Regulatory Impact Assessment

Since the standardized regulatory impact assessment (abbreviated as "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 regulation" (those with economic impact over $50 million).[1] 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.[2]

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.

In the interceding 15 years, only a small sliver of California's regulations have had broad enough effect to trigger SRIA analysis. 2025 provides a helpful data point. In 2025, across all of California's agencies and regulatory processes, only 3 SRIA were completed [3] and submitted to the Department of Finance.[4]

As an example, CalRecycle's rulemaking on SB 54 (Allen - 2022) – which had the incredibly broad and complicated task of creating a circular economy for single-use plastic packaging in California – was one of those three SRIA's completed and submitted to the Department of Finance in 2025. In that case, estimated costs far exceeded the $50 million threshold, and a SRIA was required. In the 2025 SRIA, the agency provided detailed estimates of social benefits, business benefits, and economy-wide costs. Specifically, the SRIA estimated that the rulemaking package would have $21 billion in costs, and $53.3 billion in benefits a ten-year period.[5] In other words – the SRIA forced the agency to provide more detailed, thorough economic analysis of both costs and benefits to policymakers and stakeholders.

SB 1123 Would Effectively End SRIA Analysis by Redefining the Triggering Economic Threshold Such That it is Rarely Triggered.

Substantively, **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**

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[1] CA Gov Code Section 11342.548. (requiring SRIA's for any regulation "that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars.")
[2] SB 617 (Calderon – 2011) laid out the framework of SRIA analysis, and subsequent Department of Finance regulations provided agencies with greater specificity for the preparation of their SRIA's. *See* CCR Title 1, Section 2002.
[3] Admittedly, there is a difference in counting regulations that *trigger* SRIA analysis in a given year, and the number of reports *completed* in that year – but the Dept. of Finance only sorts SRIA reports by the year of completion, so this is the closest estimate to a per-year trigger we can use.
[4] The Department of Finance publishes all SRIA's submitted, and its responsive comments, here: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/
[5] Full SRIA available at: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/, see page 19 (costs) and page 39 (benefits).

1123 almost begs the question: what regulation would have net costs exceeding net benefits, and yet still even be proposed?

Consider the following *incredibly significant* recent regulatory packages that triggered SRIA analysis:

- **Plastic Pollution Prevention[6] (CalRecycle)** - Estimated benefits of $53.3 billion vs costs of $21 billion. Because net benefits exceed net costs, No SRIA required under **SB 1123.**
- **CA Consumer Privacy Act Updates[7] (CA Privacy Protection Agency)** - Estimated benefits of $19 billion annually over ten years, vs upfront costs of $3.5 billion, with $1 billion ongoing costs. Because net benefits exceed net costs, No SRIA required under **SB 1123.**
- **Cap-and-Trade 2024 amendments[8] (CA Air Resources Board)** - Estimated benefits in the hundreds of billions, vs costs of $81 billion. No SRIA required under **SB 1123.**

These are exactly the sort of wide-reaching, complicated, and impactful regulations that SRIA analysis was designed to apply to: regulations with economy-wide implications that will reach decades into the future. And yet, under **SB 1123**, they would receive no such careful analysis, and no Department of Finance oversight to confirm that any estimates utilized were accurate.

<u>**SB 1123's Core Concept – Using Speculative Net Benefits to Avoid Analysis – is Flawed.**</u>

SB 1123 rests on a core concept that makes no sense in personal finance or in policymaking: that if speculative/estimated benefits outweigh short-term net costs, then no serious analysis is needed before making a decision.

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 <u>should</u> 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, <u>no one would dispute that the purchase of a car is a major purchase</u>. 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.

Yet 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.

<u>**Agency Cost Estimates Reflect Potentially Significant State Costs.**</u>
Notably, Senate Appropriations Committee analysis notes potential costs in the millions of dollars to implement **SB 1123.**[9] Given that there is no immediate urgency for the change **SB 1123** proposes, we do not see why the state should voluntarily move towards such potential costs in the present budget climate.

For these reasons, we must **OPPOSE SB 1123** as a **COST DRIVER**.

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[6] Estimates taken from 2025 SRIA submission, available here: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/
[7] Estimates taken from 2024 SRIA submission, available here: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/
[8] Estimates taken from 2024 SRIA submission, available here: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/
[9] Specifically, Senate Appropriations Committee analysis flags the following concern: "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."

Sincerely,

Robert Moutrie
Vice President for Policy Advocacy
on behalf of

Almond Alliance, Alexi Rodriguez
American Petroleum and Convenience Store Association, Bobbie Singh-Allen, JD
Associated General Contractors of California, Felipe Fuentes
Associated General Contractors, San Diego Chapter, Felipe Fuentes
Brea Chamber of Commerce, Lacy Schoen
Building Owners and Managers Association of California, Skyler Wonnacott
Calforests, Matt Dias
California Apartment Association, Embert Madison
California Association of Sheet Metal and Air Conditioning Contractors National Association, Chris Walker
California Association of Winegrape Growers, Michael Miller
California Attractions and Parks Association, Sabrina Lockhart
California Building Industry Association, Karim Drissi
California Business Properties Association, Skyler Wonnacott
California Chamber of Commerce, Robert Moutrie
California Construction and Industrial Materials Association, Robert Dugan
California Farm Bureau, Bryan Little
California Framing Contractors Association, Jodi Blom
California Fuels + Convenience Alliance, Jack Yanos
California Hotel & Lodging Association, Lynn S. Mohrfeld
California Landscape Contractors Association, Sandra Giarde
California League of Food Producers, Katie Little
California Manufacturers and Technology Association, Elizabeth Esquivel
California New Car Dealers Association, Kenton Stanhope
California Restaurant Association, Matt Sutton
California Retailers Association, Ryan Allain
California Travel Association, Emellia Zamani
California Trucking Association, Nick Chiappe
California's Credit Unions, Eileen Ricker
Carlsbad Chamber of Commerce, Bret Schanzenbach
Colusa County Chamber of Commerce, Jack Cunningham
Corona Chamber of Commerce, Tim Gramling
Dana Point Chamber of Commerce, Vickie McMurchie
Danville Area Chamber of Commerce, Amy Millington
Fairfield Suisun Chamber of Commerce, Lisa Bonnington
Family Business Association of California, Robert Rivinius
Garden Grove Chamber of Commerce, Claudette Baldemor
Gilroy Chamber of Commerce, Cristina Cortes
Greater Bakersfield Chamber of Commerce, Joel Paramo
Greater High Desert Chamber of Commerce, Mark Creffield
Greater Irvine Chamber of Commerce, Dave Coffaro
Greater San Fernando Valley Chamber of Commerce, Nancy Hoffman Vanyek
Greater Tehachapi Chamber of Commerce, Clare Scotti
Housing Contractors of California, Bruce Wick
Imperial Valley Regional Chamber of Commerce, Sher Cowie
Inland Empire Economic Partnership, Paul Granillo
Laguna Niguel Chamber of Commerce, Teresa Schckling
Long Beach Area Chamber of Commerce, Jeremy Harris
Los Angeles Area Chamber of Commerce, Carlos Singer
Modesto Chamber of Commerce, Trish Christensen
NAIOP California, Skyler Wonnacott
Norwalk Chamber of Commerce, Caren Spilsbury

Oceanside Chamber of Commerce, Scott Ashton
Orange County Business Council, Amanda Walsh
Pacific Merchant Shipping Association, Jennifer Cohen
Palm Desert Area Chamber of Commerce, Alisa Williams
Rancho Cordova Area Chamber of Commerce, Diann Rogers
Redondo Beach Chamber of Commerce, Mara Santos
San Diego Regional Chamber, Chris Cate
San Diego Regional East County Chamber of Commerce, Rick Wilson
San Rafael Chamber of Commerce, Karen Strolia
Santa Ana Chamber of Commerce, David Elliott
Santa Clarita Valley Chamber of Commerce, Ivan Volschenk
Santa Maria Valley Chamber of Commerce, Suzanne Singh
Simi Valley Chamber of Commerce, Anthony Angelini
South Bay Association of Chambers of Commerce, Jeremy Harris
TechNet, Robert Boykin
Torrance Area Chamber of Commerce, Donna Duperron
Vernon Chamber of Commerce, Marisa Olguin
Western Growers Association, Matthew Allen
Western Propane Gas Association, Krysta Wanner
Western States Petroleum Association, Zachary Leary
Wilmington Chamber of Commerce, Monica Garcia-Diaz
Wine Institute, Anna Ferrera
Yorba Linda Chamber of Commerce, Anthony Johnson
Yuba Sutter Chamber, Nina Singh

cc: Legislative Affairs, Office of the Governor
Stella Fontus, Office of Senator Wiener
Consultant, Senate Appropriations Committee
Ted Morley, Consultant, Senate Republican Caucus

RM:ldl