

Hi, this is Chris Micheli with the Sacramento Governmental Relations Firm of Aprea and Micheli and an adjunct professor at McGeorge School of Law. Today's podcast is what is the SRIA, S-R-I-A? This acronym stands for a Standardized Regulatory Impact Analysis, and for those who are involved in significant regulatory work at some of California's 200 plus rulemaking agencies, departments, boards, and commissions, you've probably heard of a SRIA because it's required to be done for any so-called major regulations.

Now under existing law, all regulations are required to have an analysis of the potential economic impact of a proposed regulation, specifically if you look at Government Code Section 113460.3, it says that a state agency that proposes to adopt, amend, or repeal any regulation must assess the potential for adverse economic impact on California business enterprises and individuals. What does that mean? Well, it means that there is a short analysis that's done. It's requires the completion of an economic impact statement, an EIS, which is basically a five page fill in the blanks form, and this EIS is probably sufficient for most regulations that are promulgated.

So what happens is that state entity prior to submitting its proposed regulatory action to OAL, the Office of Administrative Law, which begins the formal rulemaking process. The entity has to consider the proposal's impact on business, specifically with consideration of industries affected, such as the ability of California businesses to compete with businesses in other states. In fact, the entity, the rulemaking body, must even consider information that is supplied to it by interested parties. So what does this economic assessment include? Well, it includes the creation or elimination of jobs in California, the creation of new businesses or the elimination of existing businesses here in California, the expansion of businesses that are currently operating within the state, and the benefit of the regulation to the health and welfare of California residents.

Now about a decade ago in 2011, the Legislature determined that for financially impactful regulations, which amounts for anywhere from 10% to 15% maximum of the state regulations that are proposed each year, and by the way, according to OAL, the Office of Administrative Law, about 600 regulations are promulgated each year by all those state agencies, departments, boards, and commissions. And so basically the legislature said, again, a decade ago, that for major regulations, which they statutorily defined by the way, for those a more thorough economic analysis needs to be done. And so they created SRIA, S-R-I-A is the acronym again, the SRIA process for this more comprehensive analysis.

So if we turn to Government Code Section 1134.2548, it defines the term major regulation, and major regulation means any proposed adoption, amendment, or repeal of a regulation that will have an economic impact on California business enterprises and individuals in an amount exceeding \$50 million as estimated by the state entity that's promulgating that proposed major regulation. So in other words, since November 2013, when the department of finance regulations took effect, again, whenever there is a proposed regulation that would exceed \$50 million in economic impact, the SRIA has to be done, and the SRIA provides for a more detailed analysis of both compliance costs, as well as potential health benefits of the legislation.

Now why is this more detailed analysis under SRIA required? Well, the Government Code and these provisions actually provide some information, specifically they say that the analyses that are being conducted under the SRIA statute really are intended to provide agencies, as well as members of the public, like the regulated community, with the information that they need to determine whether or not this proposed regulation is in effect the most efficient and effective means of implementing whatever policy decision or decisions that's required by the statute in the least burdensome manner. So that's why we want this detailed analysis to determine is the proposed regulation the least burdensome one. And now, in addition, the baseline for this regulatory analysis, the SRIA, is basically the most cost effective set of regulatory measures that are equally effective in its achieving the purpose of the

regulation to ensure compliance with the underlying or authorizing statute. Now also pursuant to this Government Code provision, the DOF had to adopt regulations for how a SRIA is to be conducted, and they did do that. And so basically they want to do six major things.

Assess and determine the benefits and costs of the proposed regulation, in monetary terms naturally, and then also the impact of the non-monetary benefits, such as protecting public health and safety workers, the environment, et cetera, et cetera. Second, they want to compare the proposed regulatory alternatives with a baseline, so that analytical decisions are actually made to determine what is the most effective and least burdensome alternative to ensure that the purposes of the regulation are carried out. Third, they want to determine the impact of the proposal on the state's economy and businesses, as well as the public welfare generally. Fourth, they want to assess the effects of this proposal on the state's general fund and any special funds, as well as affected low government entities of this regulation. Fifth, they want to determine the cost of enforcement and compliance as well as those costs of compliance on affected businesses and individuals. And then sixth, and finally, they want to estimate the true economic impact.

And again, this SRIA has to be included in the initial statement of reasons for the regulation that is submitted by that state entity that's promulgating the regulation to the Office of Administrative Law, as well as to interested parties. And again, the filing of that eyesore initial statement of reasons, another acronym used in the regulatory arena, begins the formal rule making process.

So that in a nutshell is the SRIA process, what it is and what its purpose is in California's regulatory process. Thanks for joining today's podcast on what is California's SRIA?