

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE
ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)
 STD. 399 (Rev. 10/2019)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME State Water Resources Control Board	CONTACT PERSON James Nachbaur	EMAIL ADDRESS james.nachbaur@waterboards.c	TELEPHONE NUMBER (916) 956-9599
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Making Water Conservation a California Way of Life			NOTICE FILE NUMBER Z

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|--|---|
| <input checked="" type="checkbox"/> a. Impacts business and/or employees | <input checked="" type="checkbox"/> e. Imposes reporting requirements |
| <input type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input checked="" type="checkbox"/> c. Impacts jobs or occupations | <input checked="" type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input type="checkbox"/> h. None of the above (Explain below): |

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.
 If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.*

2. The State Water Resources Control Board estimates that the economic impact of this regulation (which includes the fiscal impact) is:
 (Agency/Department)

- Below \$10 million
 Between \$10 and \$25 million
 Between \$25 and \$50 million
 Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: 68

Describe the types of businesses (Include nonprofits): Urban retail water suppliers in California. Please see attachment.

Enter the number or percentage of total businesses impacted that are small businesses: 0

4. Enter the number of businesses that will be created: 0 eliminated: 0

Explain: The regulation is not expected to cause entry of new suppliers or the exit of existing ones. See attachment.

5. Indicate the geographic extent of impacts: Statewide
 Local or regional (List areas): _____

6. Enter the number of jobs created: 18,000 in 2025 and eliminated: 0

Describe the types of jobs or occupations impacted: Top industries experiencing increased employment are architectural, engineering services; greenhouse, nursery, and floriculture production; valve and fittings other than plumbing. See attachment.

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? YES NO

If YES, explain briefly: The regulation will not affect the ability of California businesses to compete with other states.

Households and CII customers purchase water from their local water supplier, and they generally do not have a choice between their water service supplier and an out-of-state enterprise. Please see attachment.

ECONOMIC IMPACT STATEMENT (CONTINUED)

B. ESTIMATED COSTS *Include calculations and assumptions in the rulemaking record.*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 13.5 billion
- a. Initial costs for a small business: \$ 0 Annual ongoing costs: \$ 0 Years: _____
- b. Initial costs for a typical business: \$ 7.5 million (year 2025) Annual ongoing costs: \$ [1.0, 5.0] million Years: 15
- c. Initial costs for an individual: \$ 102.6 (year 2025) Annual ongoing costs: \$ [1.3, 7.7] Years: 15
- d. Describe other economic costs that may occur: Most of the estimated costs originate from the implementation of residential water use efficiency measures and revenues that would be lost by suppliers. Please see attachment.
2. If multiple industries are impacted, enter the share of total costs for each industry: Urban retail water suppliers would incur 74% of total estimated costs, wastewater management agencies 19%, residential customers 7%. Please see attachment.
3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ 5,000
4. Will this regulation directly impact housing costs? YES NO
If YES, enter the annual dollar cost per housing unit: \$ _____
Number of units: _____
5. Are there comparable Federal regulations? YES NO
- Explain the need for State regulation given the existence or absence of Federal regulations: Assembly Bill (AB) 1668 and Senate Bill (SB) 606 of 2018 directed the State Water Board to adopt long-term standards for the efficient use of water.
- Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ 0

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Most of the benefits that were estimated originate from reduced water purchases or reduced water production by the affected suppliers. They also originate from reduced water use by, and thus lower water bills for, the residential customers. Please see attachment.
2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?
Explain: AB 1668 and SB 606 of 2018 directed the State Water Board to adopt standards for suppliers. Please see attachment
3. What are the total statewide benefits from this regulation over its lifetime? \$ 16.0 billion
4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: Landscape services, production and manufacturing in greenhouse and nursery production, valve and fittings manufacturing, household laundry equipment, and plumbing fixture manufacturers will experience growth. See attachment.

D. ALTERNATIVES TO THE REGULATION *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: Staff evaluated two alternatives, which consider different Landscape Efficiency Factors as well as the irrigation status of the landscapes that the efficiency factors would be applied to. The alternatives also consider different CII water volume thresholds. See attachment.

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ECONOMIC IMPACT STATEMENT (CONTINUED)

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ 16.0 billion Cost: \$ 13.5 billion
Alternative 1: Benefit: \$ 10.5 billion Cost: \$ 9.9 billion
Alternative 2: Benefit: \$ 18.4 billion Cost: \$ 14.9 billion

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: The main drivers of the estimated impacts of Alternatives 1 and 2 are qualitatively the same as the ones of the proposed regulation. Please see attachment.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? YES NO

Explain: The regulation does not mandate the use of specific technologies or equipment, or prescribe specific actions or procedures.

E. MAJOR REGULATIONS *Include calculations and assumptions in the rulemaking record.*

California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million? YES NO

*If YES, complete E2. and E3
If NO, skip to E4*

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: Less stringent efficiency factors, irrigation status, and CII water volume thresholds. See attachment.

Alternative 2: More stringent efficiency factors, irrigation status, and CII water volume thresholds. See attachment.

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ 13.5 billion Cost-effectiveness ratio: \$ 2,128/acre-foot

Alternative 1: Total Cost \$ 9.9 billion Cost-effectiveness ratio: \$ 2,406/acre-foot

Alternative 2: Total Cost \$ 14.9 billion Cost-effectiveness ratio: \$ 2,075/acre-foot

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California 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?

YES NO

If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.

5. Briefly describe the following:

The increase or decrease of investment in the State: This regulation would potentially increase investment in the State, but the magnitude of the investment would be negligible compared to California's economy. Please see attachment.

The incentive for innovation in products, materials or processes: This regulation would potentially increase incentives for innovation, materials, and processes through increased spending on landscape conservation programs. See the attachment.

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: Most of the benefits originate from reduced water purchases by the affected suppliers and households. Please see attachment.

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FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

a. Funding provided in _____

Budget Act of _____ or Chapter _____, Statutes of _____

b. Funding will be requested in the Governor's Budget Act of _____

Fiscal Year: _____

2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

§ 11.05 billion (2025-2040)

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

a. Implements the Federal mandate contained in _____

b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

e. Will be fully financed from the fees, revenue, etc. from: Supplier adjustment to rate structures to customers. See attachment.

Authorized by Section: 17556 of the Government Code;

f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Annual Savings. (approximate)

§ 1,944/property-year (attachment)

4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

5. No fiscal impact exists. This regulation does not affect any local entity or program.

6. Other. Explain Aggregate local sales tax revenues are estimated to increase by almost \$21 million in 2025, and between \$500,000 and \$3.6 million per year in the following years until 2040. Please see attachment.

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FISCAL IMPACT STATEMENT (CONTINUED)

B. FISCAL EFFECT ON STATE GOVERNMENT *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

It is anticipated that State agencies will:

a. Absorb these additional costs within their existing budgets and resources.

b. Increase the currently authorized budget level for the _____ Fiscal Year

2. Savings in the current State Fiscal Year. (Approximate)

\$ 1,944/property-year (Attachment)

3. No fiscal impact exists. This regulation does not affect any State agency or program.

4. Other. Explain State sales tax revenues are estimated to increase by almost \$162 million in 2025, and between \$4 million and \$28 million per year in the following years until 2040. Please see attachment.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

4. Other. Explain _____

FISCAL OFFICER SIGNATURE



DATE

Jun 1, 2023

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY



DATE

June 5, 2023

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER



DATE