

**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (REV. 12/2013)

Preliminary

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME California Dept. of Human Resources	CONTACT PERSON Nancy Craig	EMAIL ADDRESS Nancy.Craig@calhr.ca.gov	TELEPHONE NUMBER (916) 324-0512
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 County Merit System Regulations			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:

- a. Impacts business and/or employees
- b. Impacts small businesses
- c. Impacts jobs or occupations
- d. Impacts California competitiveness
- e. Imposes reporting requirements
- f. Imposes prescriptive instead of performance
- g. Impacts individuals
- 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 California Dept. of Human Resources 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: 0

Describe the types of businesses (Include nonprofits): _____

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: _____

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

6. Enter the number of jobs created: 0 and eliminated: 0

Describe the types of jobs or occupations impacted: See Attachment 1: County Merit System Regulations Form 399 Information

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: _____

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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? \$ 0
- a. Initial costs for a small business: \$ 0 Annual ongoing costs: \$ 0 Years: _____
- b. Initial costs for a typical business: \$ 0 Annual ongoing costs: \$ 0 Years: _____
- c. Initial costs for an individual: \$ 0 Annual ongoing costs: \$ 0 Years: _____
- d. Describe other economic costs that may occur: N/A

2. If multiple industries are impacted, enter the share of total costs for each industry: N/A

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.* \$ N/A

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: See Attachment 1: County Merit System

Regulations Form 399 Information

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: Adoption of these regulations ensures that local public agencies are aware of the personnel standards that must be met as a condition of receiving state or federal funding for federal grant-in-aid programs such as the Social Security Act.

2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?

Explain: The regulations implement Government Code sections 19800 through 19811.

3. What are the total statewide benefits from this regulation over its lifetime? \$ Unknown

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: None, this regulation does not impact businesses.

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: Alternative 1: Adopt the regulations as currently written by the State Personnel Board.

Alternative 2: Do Nothing. See Attachment 1: County Merit System Regulations Form 399 Information

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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: \$ Unknown Cost: \$ None

Alternative 1: Benefit: \$ 0 Cost: \$ _____

Alternative 2: Benefit: \$ 0 Cost: \$ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: See Attachment 1: County Merit System Regulations
Form 399 Information

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 regulations detail the federal merit principles that Local Agencies' personnel systems must meet but the regulations do not prescribe how the principles must be met. See Attachment 1.

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: _____

Alternative 2: _____

(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 \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

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: N/A

The incentive for innovation in products, materials or processes: N/A

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: Ensures that the State continues to receive federal grant-in-aid funding pursuant to federal laws such as the Social Security Act.

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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).

\$ _____

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: _____

Authorized by Section: _____ of the _____ 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)

\$ _____

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 See Attachment 1: County Merit System Regulations Form 399 Information

**ECONOMIC AND FISCAL IMPACT STATEMENT
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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)

\$ _____

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

4. Other. Explain See Attachment 1: County Merit System Regulations Form 399 Information

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 Adoption of these regulations is necessary to ensure continued receipt of federal funds for certain federal grant-in-aid programs.

FISCAL OFFICER SIGNATURE

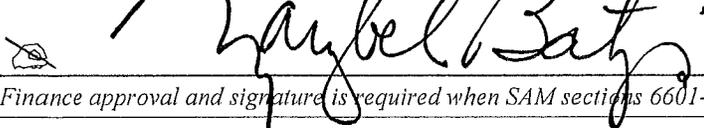


DATE

10/8/2015

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

10/8/2015

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

County Merit System Regulations Form 399 Information**ECONOMIC IMPACT STATEMENT****A. ESTIMATED PRIVATE SECTOR COST IMPACTS****6. Describe the types of jobs or occupations impacted:**

This regulation will not impact private sector jobs or occupations. This regulation will have a minor impact on a subset of employees working in Local Agencies where the Department administers the merit-based personnel system for the Local Agency. Currently there are 28 such Local Agencies that employ approximately 5,800 employees. The jobs or occupations include all the classifications necessary to operate social services programs such as CalWORKS, Medi-Cal, and Child Support enforcement. Classifications include, but are not limited to, eligibility workers, investigators, attorneys, and support services personnel.

The specific and narrow impact will be on the calculation of seniority scores after the effective date of the regulations on an unknown subset of 6,000 current local agency employees working in the Programs covered by these regulations. The existing State Personnel Board (SPB) regulations require a Program employee with a permanent or probationary appointment to receive credit for all employment in Local Agencies where the personnel system was managed by the state if the employee has no permanent break in service. Program employees also earn seniority credit for superior or outstanding performance appraisals. By specifying such a specific methodology for calculating seniority scores, Program employees would be treated differently than other Local Agency employees if a Local Agency had to reduce its workforce. The proposed regulations change the method by which seniority credit is calculated for current Program employees. Upon the effective date of the new regulations, all Program employees will have their seniority scores calculated in accordance with the Local Agency's personnel system. However, for existing Program employees, their seniority scores, up until the effective date of the regulations, will be calculated in accordance with the SPB's existing regulations. Therefore, no existing Program employee will lose any seniority credit they would have earned under the SPB regulations but will have their seniority score calculated as any other Local Agency employee for the period after the effective date of the regulations.

B. ESTIMATED COSTS**5. Explain the need for State regulation given the existence or absence of Federal regulations.**

Federal regulations, title 5, part 900, subpart F. sections 900.601-900.605, provide the standards for a merit system of personnel administration that state and local governments must meet as a condition of receiving federal funds for specific grant-in-aid programs such as the Social Security Act. As these federal

programs are managed by the state, and federal and state funding flows through the state to the Local Agencies, these regulations are necessary to establish the manner in which the state ensures that Local Agencies' personnel systems comply with the federal standards. In addition, to comply with state law, the regulations provide the process by which the state will oversee a personnel system for Local Agencies that do not operate their own personnel system for Program employees.

D. ALTERNATIVES TO THE REGULATION

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not:

Alternative 1: Adopt the regulations as currently written by the SPB. This alternative would have the Department adopting the SPB regulations as currently written with the exception that the Department not SPB would be performing the work.

Alternative 2: Do Nothing. This alternative would leave the existing regulations in place. If the Department does nothing, the existing regulations would not be in compliance with federal regulations or state law.

Alternative 3: Draft new regulations consistent with existing federal regulations and state law. This is the selected alternative. The Department is proposing to adopt new regulations that are consistent with current federal regulations that acknowledge the diversity in design, execution and administration of personnel management systems. Current federal regulations only provide the merit principles with which state and local personnel systems must comply. State law delegated the authority to operate the County Merit System to the Department instead of SPB.

3. Briefly discuss any quantification issues that are relevant to a comparison on the estimated costs and benefits for this regulation or alternatives.

The Department did not calculate the costs and benefits of each of the alternatives as while these are possible alternatives, neither meets both state and federal requirements. Implementing Alternative 1, while changing the responsibility for the County Merit Program from SPB to the Department consistent with state law, would not be consistent with federal regulations. If the Department chose Alternative 2, Do Nothing, the regulations would not be in compliance with State law or federal regulations.

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?

The regulations identify the merit-based personnel standards that must be met by a Local Agency for its personnel management system to be in compliance with federal regulations. The regulations do not mandate specific procedures that Local Agencies must follow to meet those standards. The proposed regulations do set administrative procedures that Local Agencies, applicants, Program employees and the Department must follow for appealing audit results, hiring or disciplinary decisions, and similar actions where performance standards would not be applicable.

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT

6. Other. Explain

The proposed regulations do not require Local Agencies to incur any new expenses. Some Local Agencies may see savings in the future if those Local Agencies are operating a separate personnel system for Program employees than they are for all other Local Agency employees. Also, Local Agencies that have the state administer some or all of the personnel system for Program employees, may elect to utilize their existing personnel system for Program employees if their personnel system meets the Federal Requirements and it is cost effective for them to transfer the activities the state is performing.

B. FISCAL EFFECT ON STATE GOVERNMENT

4. Other. Explain

The Governor's Reorganization Plan Number One of 2011 (GRP 1) created the Department and vested it with the powers and duties of the former Department of Personnel Administration as well as some operations and functions that had been administered by SPB. Senate Bill 1309, Chapter 360, Statutes of 2012 and Assembly Bill 1062, Chapter 427, Statutes of 2013 amended the Government Code to conform the statutes to the Department's responsibilities under GRP 1. One of the duties that was transferred from SPB to the Department was the responsibility for the County Merit System. Along with the transfer of duties, \$2.3 million and a half-time position associated with the County Merit System was also transferred. These regulations, in and of themselves, do not increase or save any state funding. A contractor currently operates the County Merit System with oversight by the Department. The Department has been reviewing contractor operations and may propose moving operations in-house. Transferring the County Merit System operations to the Department may require an increase in state funding for the first years but may result in future savings.