

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

STD. 399 (REV. 12/2013)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME CalSTRS	CONTACT PERSON Ellen Maurizio	EMAIL ADDRESS regulations@calstrs.com	TELEPHONE NUMBER 916-414-1994
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 Amendments to Format for Monthly Reports			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 type="checkbox"/> a. Impacts business and/or employees | <input type="checkbox"/> e. Imposes reporting requirements |
| <input type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input checked="" type="checkbox"/> h. None of the above (Explain below): |

No cost or benefit to private sector. See attached.

*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.*

CA State Teachers' Retirement System

2. The _____ 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: _____

Describe the types of businesses (Include nonprofits): _____

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

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

Explain: _____

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

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

Describe the types of jobs or occupations impacted: _____

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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STD. 399 (REV. 12/2013)

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

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

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.* \$ _____

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: _____

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

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: _____

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

Explain: _____

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

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: _____

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: _____

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STD. 399 (REV. 12/2013)

ECONOMIC IMPACT STATEMENT (CONTINUED)

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

Regulation: Benefit: \$ _____ Cost: \$ _____

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

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

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

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: _____

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: _____

The incentive for innovation in products, materials or processes: _____

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: _____

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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)

§ Time savings. See 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 _____

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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.

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)

\$ _____

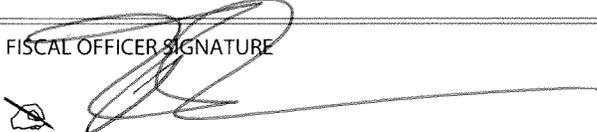
2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

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

4. Other. Explain _____

FISCAL OFFICER SIGNATURE

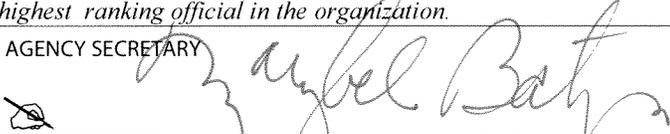


DATE

11/19/15

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

11/24/2015

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

INTRODUCTION

This rulemaking package incorporates the most up-to-date CalSTRS F496 File and Voluntary Deduction File (VDF) specification documents, as amended July 1, 2015. The amendments to the F496 File Specification document predominantly add or modify business rules to comply with statutory changes or to provide for greater compliance with existing law. The amendments to the VDF Specification document provide warning messages when compensation is reported outside legal timeframes, prompting employers to validate and reconcile the data. In addition, changes in response to CalSTRS experience are made to ensure greater accuracy of data submitted and to avoid the need for excessive employer review of submitted data.

The baseline used for these calculations are the file specification documents that are currently incorporated by reference in Title 5, CCR §27000. All dollar values are rounded to the nearest \$5.00 unless indicated.

ECONOMIC IMPACT STATEMENT

A. Estimated Private Sector Cost Impacts

Item 1.

h. None of the above. (Explain below.)

No impact to the private sector can be expected to result from these amendments. These amendments solely affect school employers (including school districts, community college districts and county offices of education) and will not result in a cost to those employers. CalSTRS has determined that the regulations proposed do not constitute a major regulation. These regulations do not place any requirements on businesses. These regulations solely affect CalSTRS, school districts, community college districts, county offices of education and other employing agencies. There are no direct, indirect or induced economic impacts to the private sector.

Item 2.

CalSTRS estimates that the economic impact of this regulation (which includes the fiscal impact) is **below \$10 million.**

FISCAL IMPACT STATEMENT

A. Fiscal Effect on Local Government

Fiscal impact for the current year and two subsequent fiscal years:

3. Annual savings (approximate).

These regulations are expected to result in some time savings; however, no monetary savings are likely to result because the slight time savings is so widely distributed to school districts, community college districts, county offices of education and other employing agencies statewide.

Calculations and assumptions

As described in the Initial Statement of Reasons, the majority of updates to the file specifications are in response to legislative changes or are done to support compliance with existing law. Where CalSTRS has made more permissive changes (modifying previous employer-approved edits to be fully enforced, or vice versa, and increasing service credit thresholds in response to excessive employer reviews), the changes improve the accuracy, efficiency and effectiveness of reporting; however, due to the infrequent use by local governments of the file specifications with permissive changes of most of these edits, the changes do not result in any measurable cost or savings to local government.

There is a measurable effect resulting from the change to business rule MO-B103. This rule requires employers to manually validate, on a line-by-line basis, each report that exceeds the service credit thresholds specified therein. This business rule is triggered when an individual member earns more than 0.20 service credit (or 0.25 for community college employers) in a single pay period. This is the most frequently triggered business rule in the system by far, and validation requires an employer to research and confirm each line and then complete a freeform annotation for each instance of the edit being triggered. This process requires five clicks and the completion of a freeform field for each line, which can be copied and pasted. It is possible to complete these annotations via mass selecting individual entries and providing a blanket annotation, which requires one click per line and the completion of a single freeform field for all lines selected. The “mass approval” process takes significantly less time as far as data entry. Both districts and county offices of education can choose to provide individualized annotations or mass approve blanket annotations; however, providing inadequate annotations increases the likelihood that the county office of education and district will need to reconcile the line and that CalSTRS will call requesting more details, meaning more time spent on the back end. Therefore, for purposes of this estimate, it is assumed that each line is individually researched and verified at the local district and county office of education level and manually annotated line by line with account-specific details. CalSTRS estimates the time spent on each line is approximately 10 minutes per instance, with associated savings in time spent by payroll staff at the local government (school employer) level.

The permissive changes to MO-B103 mean employers must validate one-third fewer errors than under the prior threshold (16,520 fewer errors in 2013–14 than in 2012–13). This represents time savings of approximately 2,750¹ hours in a year. Hypothetically, this time would represent an estimated \$110,135² saved annually by local government (in 2015–16 equivalent dollars).

- 2016–17 annual equivalent savings (increased by 4.55%³): \$115,140
- 2017–18 annual equivalent savings (increased by 3.80%⁴): \$119,520
- 2018–19 annual equivalent savings (increased by 3.85%⁵): \$124,115

¹ The exact total of 2,753 hours and 20 minutes was used to estimate savings. The resulting totals are rounded to the nearest \$5.00.

² Assumptions: Average total wages for all payroll positions at community colleges in 2014 is \$58,375 (source: www.publicpay.ca.gov, October 2015). An equivalent hourly rate of \$28, increased by a multiplier of 142 percent to approximate employer-paid benefits costs, rounded up to \$40 is used for these estimates. This rate assumes pay at K-12 districts is similar to pay at community college district payroll offices.

³ Source: Department of Finance, California Economic Forecast, projected increase of wages and salaries, 2016, Education and Health Services.

⁴ Source: Department of Finance, California Economic Forecast, projected increase of wages and salaries, 2017, Education and Health Services.

However, the hypothetical illustration of time savings is ***not a reasonable expectation of actual savings***. When viewed over the course of a year for the entire population of 1,727 school employers, which are grouped into 69 reporting entities (county offices of education or direct reporting districts), the time saved is so widely distributed as to be immaterial (averaging 2–3 minutes saved per week⁶). Particularly when viewed as just one small component of the other varied payroll reporting activities and requirements employers are subject to, the minutes saved ***will not reasonably result in material savings*** at any district or county office of education, and therefore, no local or statewide monetary savings will result.

B. Fiscal Effect on State Government

☒ 4. Other. Explain.

Calculations and assumptions

The majority of updates to the file specifications are in response to legislative changes or are done to support compliance with existing law, and the cost or savings associated with any updates are the result of those laws. The few more permissive changes made due to adjustments in business practices to improve the accuracy, efficiency and effectiveness of reporting are easily accommodated within the technology systems that are already in place with no additional programming needs. There are dedicated staff at CalSTRS who are responsible for (among other responsibilities) proposing, implementing and testing system changes. Staff time associated with inputting, coordinating and testing of these minor technical changes is part of the existing workload.

As a result of the increased service credit threshold in MO-B103, there is a minimal corresponding time savings in staff's need to review and resolve fewer incidents when this particular edit is triggered. This has not resulted in any savings in staff time because CalSTRS has utilized any saved time to expand the percentage of lines that are manually verified by CalSTRS staff, meaning the number of lines reviewed is stable.

⁵ Source: Department of Finance, California Economic Forecast, projected increase of wages and salaries, 2018, Education and Health Services.

⁶ 2,753 hours and 20 minutes divided by 1,787 school employers and reporting entities combined (note: nine direct reporting districts are both employers and reporting entities and are not double counted) is 1.53 hours per employer; 1.53 hours divided by 36 weeks (a traditional K–12 school year) is equivalent to 2.6 minutes per week. This negligible savings errs on the side of an overestimate because it does not account for payroll reporting that occurs during summer K–12 programs or summer terms offered at community college employers. If a 52-week year is used for purposes of this estimate, fewer than 2 minutes per week on average is saved per employer.