

ATTACHMENT TO STD 399

Division of Occupational Safety and Health

SB 606: Egregious and Enterprise-Wide Violations

California Code of Regulations, Title 8, §§ 332.4, 334, 335, 336, and 340.4

ECONOMIC IMPACT STATEMENT

The proposed amendments to Sections 332.4, 334, 335, and 336 of Title 8 of the California Code of Regulations effectuate the provisions of SB 606, which amended the Labor Code to create two new categories for citation: Enterprise-wide and Egregious. The proposed amendments also serve to align existing regulatory language to the requirements of SB 606, codified in Labor Code sections 6317.8 and 6318. The definitions for Enterprise-wide and Egregious citations are set by these statutes, as are the methods for calculating penalties for citations that are classified as Enterprise-wide or Egregious. The proposed amendments interpret, implement, and make clear these definitions and methods for calculations.

The proposed amendments do not create, modify, or otherwise affect any new or existing substantive occupational safety and health obligations for employers. Instead, the proposed amendments require the Division to consider the factors set forth in SB 606 to determine whether a given violation meets the statutory definitions for Enterprise-wide and Egregious violations. Conduct that is already considered a violation of one or more Title 8 standards can now become the subject of an Enterprise-wide or Egregious citation. Employers whose conduct violates one or more Title 8 standards either on an Enterprise-wide basis, or in a way that meets that definition of "Egregious," would already have been cited for these violations. With the proposed amendments, however, these citations will carry additional penalties if the violative conduct either (a) is found to exist on an Enterprise-wide basis, or (b) meets the test for an Egregious citation (an underlying Willful violation plus one or more additional factors). The impact on employers will come in the form of increased penalties, not in the form of new substantive obligations or additional operating costs.

To assess the potential costs to businesses and individuals stemming from Egregious and Enterprise-wide violations, Cal/OSHA citation data from 2023 and 2024 was analyzed. Cal/OSHA citation data from 2020, 2021, or 2022 were not considered. The citation data from those years was found to be unrepresentative: a disproportionate number of inspections were related to COVID-19 prevention (Title 8 standards that have since sunsetted), and for a period of time in 2020 and 2021, many inspections were conducted via letter.

A. ESTIMATED PRIVATE SECTOR COST IMPACTS

Item A.3. Enter total number of businesses impacted:

All 1.9 million California businesses are covered by the proposal because no business is exempt from receiving a citation when found to be out of compliance with Cal/OSHA regulations.¹ However, only a small percentage of businesses are expected to be cited for violations meeting the definitions of Enterprise-wide or Egregious violations (see section B beginning on page 3).

Describe the type of businesses (include non-profits): According to sections 6303 and 6307 of the Labor Code, the Division has jurisdiction over every place of employment in the state. As such, the Division's enforcement power is not limited in scope to any particular type of business; any business may be cited for violations of safety and health standards. However, the number of affected businesses is smaller than the state's total 1.9 million businesses because businesses affected by the proposed changes in penalty structures have to be 1. inspected and 2. cited for violations, and then 3. those violations must match the proposed definitions of Egregious and Enterprise-wide violations. On average over 2023 and 2024, only 0.4 percent of businesses were inspected (6,595 inspections annually on average), resulting in an estimated 14 violations (0.2 percent of inspections and 0.001 percent of total businesses) that are consistent with the proposal.

Enter the number or percentage of total businesses that are small businesses: About 98.6 percent of impacted businesses are small businesses. California Government Code § 11346.3 defines small businesses as businesses with fewer than 100 employees that are not dominant in their field and are independently owned and operated. Using the California Employment Development Department's (EDD) Size of Business Data for the second quarter of 2024 (the most recent data available at the time of analysis) as the best proxy available, out of 1,867,597 total business establishments in the state, 1,841,716 businesses (or 98.6 percent) have fewer than 100 employees.²

¹ Source: EDD Size of Business Data, Table 1, second quarter of 2024. (Accessed 5/18/2025.) Navigate to <https://labormarketinfo.edd.ca.gov/LMID/Size-Data-for-CA-Quarterly.html> and click "Qtr 2" in the row titled "Number of Businesses, Number of Employees, and Payroll by Size of Business (Table 1)"

² Source: EDD Size of Business Data, Table 1, second quarter of 2024. (Accessed 5/18/2025.) Navigate to <https://labormarketinfo.edd.ca.gov/LMID/Size-Data-for-CA-Quarterly.html> and click "Qtr 2" in the row titled "Number of Businesses, Number of Employees, and Payroll by Size of Business (Table 1)"

B. ESTIMATED COSTS

Item B.1. Total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime. Any additional costs to representative businesses would result from noncompliance with existing standards. The total statewide compliance cost over the lifetime of the regulation is \$0, because the proposal does not create any new compliance actions or requirements, nor does it amend any existing compliance actions or requirements. The effect of the proposal is to adjust the penalty structure for health and safety violations under existing regulations. Division staff note that the intention of the proposal is to incentivize compliance with existing standards. Therefore, any compliance costs incurred by businesses abating noncompliance would have been captured and reported in the 399 forms for the relevant standards when those standards were adopted, and it would not be appropriate to attempt a double-counting of those costs in this 399.

Estimated Number of Citations

Any businesses committing violations meeting the definitions of Enterprise-wide or Egregious violations are affected by this proposal. Additionally, businesses out of compliance with any Cal/OSHA regulation may be incentivized to come into compliance rather than risk being cited for Enterprise-wide or Egregious violations. As the costs to come into compliance with existing law are reflected in the 399/economic assessments of those regulations, it would be duplicative and out of scope to report them here. The incremental impact of this proposal is estimated as the projected number of businesses that will be cited for the new types of violations. Due to non-existing data about future violations, the projected number of businesses affected is estimated based on available data pertaining to past violations.

Approximately 14 businesses per year may be impacted by the proposal. The businesses impacted are employers that, once the proposal is implemented, will receive citations from the Division of Occupational Safety and Health (Division) that could be categorized under the new definitions of Enterprise-wide or Egregious violations. This estimate is imperfect because the future number of citations fitting the new definitions is unknown. Furthermore, the proposal is intended to incentivize compliance with existing safety and health standards, leading to potentially fewer citations in the future. To arrive at an estimate for the purposes of completing the 399, Division staff attempted to create a counterfactual scenario from historical data by determining which cited violations would have qualified as Egregious or Enterprise-wide had the proposed language been in effect when the citations were issued.

The Federal Occupational Safety and Health Administration (FedOSHA) maintains the Occupational Safety and Health Information System (OIS), a database containing information about all inspections and citations issued to businesses nationwide.³ Division staff queried OIS for all instances in the years 2023 and 2024 in which the Division issued to California businesses citations for 1. Willful violations, and 2. Violations involving several types of employer programs that would be likely to apply to multiple employer worksites (Injury and Illness Prevention Programs (IIPP), Heat Illness Prevention Programs (HIPP), and Workplace Violence Prevention Plans (WV)). Recent years prior to 2023 were not utilized in the analysis because the COVID-19 pandemic affected inspection efforts, causing the citation data to be unrepresentative for the years 2000 to 2022.

Egregious Violations

The Division estimated the number of businesses potentially affected by the proposal separately for Egregious violations and Enterprise-wide violations. An Egregious violation is a “Willful violation” where one or more additional factors, enumerated in Labor Code section 6317.8(b), can also be shown to apply or have applied within a five-year lookback period. Because the additional information needed to identify the conditions necessary for Egregious violations are unavailable, Division staff assumed that every Willful violation issued under the existing regulations would have been classified as Egregious under the proposal. In 2023, 20 Willful violation citations were issued to 11 businesses, and in 2024, 14 Willful violation citations were issued to 9 businesses.

Enterprise-Wide Violations

Under the proposal, Enterprise-wide violations will be issued in circumstances where the employer has a written policy or procedure that applies to more than one worksite that violates an applicable occupational safety or health standard from Title 8 of the California Code of Regulations, Section 25910 of the Health and Safety Code, or the Labor Code. From the OIS query identifying citations involving each of three plans (IIPP, HIPP, WV), the data were filtered to focus only on those businesses who were cited for the same violation in at least two different inspections. Of these, an additional filter excludes businesses believed to have only one location. The Division assumes that these filters are a reasonable proxy for the multi-site circumstances intended by the proposed language. In both 2023 and 2024, 4 businesses were issued citations that may have met the definition of Enterprise-wide violations.

³ A public version of this query tool is available from OSHA on this landing page: <https://www.osha.gov/data> (website is live as of 5/18/2025). From the landing page, scroll down to “Inspection Data,” click the hyperlink, and select the desired type of search.

Total Number of Businesses Affected

The total number of businesses affected will vary from year to year depending on which and how many businesses are inspected and then cited with violations consistent with Egregious and Enterprise-wide definitions. While there is no technical limit to how many businesses could be cited, it is unlikely that all businesses would be cited in a year. To estimate a plausible number of businesses that could be cited moving forward, staff calculated the average over 2023 and 2024 of the combined number of businesses under the proposed definitions for Egregious and Enterprise-wide violations.

2023: 11 (Egregious) + 4 (Enterprise-wide) = 15

2024: 9 (Egregious) + 4 (Enterprise-wide) = 13

Average = **14 businesses**

Item B.1.d. Describe other economic costs that may occur. Businesses that are cited under the new definitions of Egregious and Enterprise-wide violations may incur higher penalties than they would incur under the existing regulation. Due to the case-dependent nature of penalty assessment, reliable data pertaining to future citations and penalties is unavailable. To estimate an economic cost of potentially higher penalties, Division staff attempted to create a counterfactual scenario from historical data by reckoning which cited violations would have qualified as Egregious or Enterprise-wide had the proposed language been in effect when the citations were issued, and what the incremental penalty would have been above the actual assessed penalty.

Egregious Violations

As described previously in section A.3. on page 2, Division staff assumes that every Willful violation issued under the existing regulations would have been classified as an Egregious violation under the proposal. Under existing regulations, a business receiving a Willful violation citation is assessed a single penalty. Under the proposal, Egregious violators will still receive Willful violation citations, however the penalty will be assessed for each employee exposure to the safety or health hazard. For example, a business found to have 10 employees exposed to a safety or health hazard assessed a \$10,000 penalty under the existing regulation would be assessed \$100,000 (\$10,000 x 10) under the proposal.

The potential increase in magnitude of penalties under the proposal is intended to incentivize compliance with existing health and safety standards. That is, some businesses will choose to meet compliance once the proposal is implemented, thereby eliminating the possibility of receiving a citation for an Egregious violation.

Division staff attempted to account for this potential change in compliance by using a “materiality threshold” to identify those businesses choosing to meet compliance. A materiality threshold is an accounting concept that indicates at which point an expense becomes material to a business, and typically ranges from one percent to five percent of assets, receipts, or payroll. For the purposes of this 399 analysis, the Division assumes that penalties for Egregious violations exceeding five percent of average industry receipts will be considered material, resulting in the business choosing to change its behavior and fulfill its compliance obligations.^{4,5} It is important to note that businesses do not know what the base penalty will be prior to citation issuance, but rather are only aware of the mechanisms utilized in assessing penalties as outlined in the regulation. This 399 analysis represents a speculative counterfactual for the purposes of projecting an estimated impact.

To estimate the incremental increase in penalties associated with Egregious violations, Division staff began with the list of Willful violations generated from the OIS query. See Table 1.⁶ The OIS query includes the penalty assessed and the number of exposures to each violation. Division staff multiplied the initial penalty by the number of exposures to approximate the would-be penalty under the proposed definition of an Egregious violation (Table 1, column F).

Next, Division staff applied the materiality threshold to identify which businesses would likely pay the penalty. To do this, staff first pulled industry-wide receipts from the U.S. Census Bureau’s Statistics of US Businesses (SUSB), 2022 (the most recent year of data available at the time of analysis).⁷ For each six-digit NAICS listed in Table 1 (column B), the industry-wide receipts are divided by the number of establishments in the NAICS to estimate the average receipts per establishment.⁸ Businesses for whom the proxy Egregious violation penalty (Table 1 column F) is above the five-percent materiality threshold (Table 1 column H) are assumed to have chosen to fulfill their compliance obligations, and would therefore not be cited in the counterfactual scenario.⁹

⁴ Using a one-percent threshold, or using payroll as the basis, will increase the number of businesses filtered out and subsequently reduce the estimated economic cost.

⁵ The business choice to “choose compliance” occurs prior to an inspection and is based on the business’ expectation of potential penalties assessed, were there to be an inspection.

⁶ Business names have been anonymized.

⁷ Source: U.S. Census Bureau Statistics of U.S. Businesses, 2022, the most recent data available. <https://www.census.gov/programs-surveys/susb.html> (accessed 5/18/2025)

⁸ Receipts specific to each businesses are not available, so the average receipts per industry is used as a proxy.

⁹ It is important to distinguish the incentivized ex ante compliance in the counterfactual from an ex post abatement process in reality. This discussion is not intended to misstate the mechanisms of the proposal. Specifically, in reality businesses will choose whether to comply with existing

Estimated penalty impact is computed as the incremental penalties charged above what would have been charged under the existing regulations. For the purposes of reporting an economic cost in this section, incrementally higher penalties are estimated separately from incremental savings.

Based on these calculations, the Division estimates a total Egregious Violation Penalty impact of \$1,151,072 across all impacted businesses. (See Table 1)

safety and health standards prior to an inspection occurring. Once a citation has been issued and the penalty assessed, there is no opportunity for the business to "choose compliance" instead, and the business must pay the penalty. The exercise for the 399 analysis is to harness existing data to inform an otherwise wholly speculative projection of citation issuance.

Table 1: Estimation of Annual Penalty Impact of Egregious Violations

2023									
A. Random Record ID	B. Primary NAICS	C. Initial Penalty	D. Number of Exposures	E. Proxy for Egregious Violation Penalty (C x D)	F. Average Receipts	G. Egregious Penalty as a percent of Average Receipts (E / F) x 100	H. Estimated Egregious Penalties Assessed	I. Incremental Penalty Paid (H - C)	J. Incremental Savings (\$0 - C)
93963	236116	\$10,985	13	\$142,805	\$17,210,943	0.8%	\$ 142,805	\$ 131,820	
99868	236220	\$10,981	36	\$395,316	\$14,938,681	2.6%	\$ 395,316	\$ 384,335	
90217	236220	\$10,981	30	\$329,430	\$14,938,681	2.2%	\$ 329,430	\$ 318,449	
98860	236220	\$10,981	1	\$10,981	\$14,938,681	0.1%	\$ 10,981	\$ 0	
93144	423830	\$90,000	1	\$90,000	\$11,133,065	0.8%	\$ 90,000	\$ 0	
96743	423450	\$108,000	2	\$216,000	\$30,510,443	0.7%	\$ 216,000	\$ 108,000	
93964	238220	\$67,500	2	\$135,000	\$2,794,474	4.8%	\$ 135,000	\$ 67,500	
97156	541714	\$10,981	6	\$65,886	\$14,606,017	0.5%	\$ 65,886	\$ 54,905	
93899	236220	\$10,981	1	\$10,981	\$14,938,681	0.1%	\$ 10,981	\$ 0	
93701	561910	\$11,250	10	\$112,500	\$5,784,600	1.9%	\$ 112,500	\$ 101,250	
98533	561910	\$11,250	10	\$112,500	\$5,784,600	1.9%	\$ 112,500	\$ 101,250	
93341	561910	\$13,500	10	\$135,000	\$5,784,600	2.3%	\$ 135,000	\$ 121,500	
94673	561910	\$121,500	10	\$1,215,000	\$5,784,600	21.0%	assumed to meet compliance		-\$ 121,500
99467	561910	\$121,500	10	\$1,215,000	\$5,784,600	21.0%	assumed to meet compliance		-\$ 121,500
91173	561910	\$101,250	10	\$1,012,500	\$5,784,600	17.5%	assumed to meet compliance		-\$ 101,250
99542	561910	\$121,500	10	\$1,215,000	\$5,784,600	21.0%	assumed to meet compliance		-\$ 121,500
96667	561910	\$121,500	10	\$1,215,000	\$5,784,600	21.0%	assumed to meet compliance		-\$ 121,500
95363	561910	\$101,250	10	\$1,012,500	\$5,784,600	17.5%	assumed to meet compliance		-\$ 101,250
94688	237990	\$10,985	64	\$703,040	\$7,918,949	8.9%	assumed to meet compliance		-\$ 10,985
98820	236220	\$10,981	45	\$494,145	\$14,938,681	3.3%	\$ 494,145	\$ 483,164	
2023 Total								\$ 1,872,173	-\$ 699,485
2024									
95106	488310	\$72,000	1	\$72,000	\$14,932,945	0.5%	\$ 72,000	\$0	
96313	236220	\$24,000	18	\$432,000	\$14,938,681	2.9%	\$ 432,000	\$408,000	
92448	237110	\$135,000	3	\$405,000	\$5,942,759	6.8%	assumed to meet compliance		-\$ 135,000
92710	237110	\$135,000	1	\$135,000	\$5,942,759	2.3%	\$ 135,000	\$0	
98581	111332	\$12,500	48	\$600,000	\$2,164,357	27.7%	assumed to meet compliance		-\$ 12,500
90124	561730	\$90,000	35	\$3,150,000	\$1,010,711	311.7%	assumed to meet compliance		-\$ 90,000
97849	561730	\$125,000	35	\$4,375,000	\$1,010,711	432.9%	assumed to meet compliance		-\$ 125,000
93143	561790	\$78,750	4	\$315,000	\$780,393	40.4%	assumed to meet compliance		-\$ 78,750
94382	561790	\$78,750	5	\$393,750	\$780,393	50.5%	assumed to meet compliance		-\$ 78,750
98971	561790	\$78,750	4	\$315,000	\$780,393	40.4%	assumed to meet compliance		-\$ 78,750
91641	561790	\$10,985	3	\$32,955	\$780,393	4.2%	\$ 32,955	\$21,970	
99407	622110	\$112,500	110	\$12,375,000	\$208,799,421	5.9%	assumed to meet compliance		-\$ 112,500
95541	236220	\$30,000	1	\$30,000	\$14,938,681	0.2%	\$ 30,000	\$0	
97304	492110	\$112,500	99999	\$11,249,887,500	\$11,161,080	100795.7%	assumed to meet compliance		-\$ 112,500
2024 Total								\$ 429,970	-\$ 823,750
Average (2023, 2024)								\$ 1,151,072	-\$ 761,618

Enterprise-Wide Violations

As described previously in section A.3. beginning on page 2, Division staff assumes that citations involving each of three written plans (IIPP, HIPP, WV), filtered to focus only on those businesses who were cited for the same violation in at least two different inspections and to exclude businesses believed to have only one location, are a reasonable proxy for the multi-site circumstances intended by the proposal. See Table 2 for the list of eight businesses (4 in 2023 and 4 in 2024) that meet these conditions.

The proposed Enterprise-wide violation does not represent a violation of a new substantive occupational safety and health obligation; businesses will continue to be cited for violations following the guidance in existing regulations. The proposal changes the penalty structure such that under the new Enterprise-wide category, penalties will be assessed for each location a business operates. For example, a business operating two locations found to violate a safety or health hazard and assessed a \$10,000 penalty under the existing regulation would be assessed a \$20,000 penalty ($\$10,000 \times 2$) under the proposal if it meets the conditions for an Enterprise-wide citation.¹⁰

To estimate the incremental increase in penalties associated with Enterprise-wide violations, Division staff began with the filtered OIS query described above. This query includes all relevant citations – in 7 out of 8 cases, there were two related citations, and in one case there were three. Staff computed the average penalty assessed (reported in Table 2, column J) across the citations for each business, and multiplied that average by the estimated number of locations each business operates (Table 2, column K) to estimate a proxy Enterprise-wide penalty.¹¹ Estimated penalty impact is computed as the incremental penalties assessed above what would have been assessed under the existing regulations. For the purposes of reporting an economic cost in this section, incrementally higher penalties are estimated separately from incremental savings.

¹⁰ Note that businesses may be cited for violations at each location under the existing regulation provided that an inspection takes place at each location with a finding of a violation. Under the proposal, there is a presumption of enterprise-wide scope for certain violations, meaning that the business may be cited for violations at each location without a separate inspection at each location.

¹¹ Number of locations were identified via Google searches and the Restricted Quarterly Census of Employment and Wages (QCEW) dataset which includes detailed establishment-level information such as data on specific employers (business units), detailed geographic identifiers (business locations), full industry codes (NAICS codes), and longitudinal data that allow researchers to track businesses over time.

Based on these calculations, Division staff estimates a total Enterprise-Wide Violation Penalty impact of \$30,460 across all impacted businesses. (See Table 2)

Based on these calculations, Division staff estimates a Total Penalty Impact of $\$1,151,072 + \$30,460 = \$1,181,532$ annually across all impacted businesses.

Table 2. Estimation of Annual Penalty Impact of Enterprise-wide Violations

A. Year	B. Random Establishment ID	C. Primary NAICS	First Violation		Second Violation		Third Violation		J. Average Penalty	K. Estimated Number of Locations	L. Estimated Enterprise-Wide Penalty	M. Average Receipts	N. Egregious Penalty as a percent of Average Receipts (L / M) x 100	O. Incremental Penalties (L - Sum of Initial Penalties)	P. Incremental Savings (\$0 - N)
			D. Standard	E. Initial Penalty	F. Standard	G. Initial Penalty	H. Standard	I. Initial Penalty							
2023	86290	445110	3203(a)(4)	\$200	3203(a)(4)	\$200	3203(a)	\$335	\$184	264	\$52,800	\$12,620,565	0.4%	\$52,065	
2023	88508	623312	3203(a)	\$900	3203(a)	\$280	--	--	\$590	12	\$7,080	\$1,908,796	0.4%	\$5,900	
2023	87061	444110	3203(a)	\$22,500	3203(a)	\$425	--	--	\$11,463	233	\$2,670,763	\$45,254,767	5.9%	assumed to meet compliance	-\$22,925
2023	84242	561311	3203(a)	\$800	3203(a)	\$185	--	--	\$493	8	\$3,940	\$3,704,378	0.1%	\$2,955	
2023 Total														\$60,920	-\$22,925
2024	87649	441310	3203(a)	\$1,125	3203(a)	\$280	--	--	\$703	594	\$417,285	\$2,261,234	18.5%	assumed to meet compliance	-\$1,405
2024	81940	722513	3203(a)(7)	\$710	3203(a)(7)	\$675	--	--	\$693	2	\$1,385	\$1,330,932	0.1%	\$0	
2024	89179	722511	3203(a)(4)	\$600	3203(a)(4)	\$600	--	--	\$600	2	\$1,200	\$1,483,994	0.1%	\$0	
2024	84154	722513	3203(a)	\$450	3203(a)	\$450	--	--	\$450	2	\$900	\$1,330,932	0.1%	\$0	
2024 Total														\$0	-\$1,405
Average (2023, 2024)														\$30,460	-\$12,165

C.3. Total statewide benefits from this regulation over its lifetime. The majority of the proposed changes serve to implement and clarify the two new classifications of violation for which an employer can be cited set forth in Labor Code sections 6317 and 6317.8, and to explain how penalties will be calculated for these violations. Implementation of these sections of the Labor Code will benefit employees by enhancing penalties for specified conduct, thereby incentivizing employers not to act in the proscribed ways. The proposed amendments will also benefit employers by adding clarity and guidance on how to conduct their activities so that they avoid these types of citations and the attendant enhanced penalties.

The remainder of the proposed changes are corrections based on changes to the law and to ensure that the regulations are at least as effective as their FedOSHA counterparts. These changes will benefit employees by raising the level of California worker protections. They will also benefit employers by providing clarity and a uniform standard where federal and California requirements differed.

Some businesses currently out of compliance with safety and health standards may meet compliance to avoid receiving an Egregious or Enterprise-wide citation, generating savings from avoided penalties. The methodology used to estimate penalty impacts in section B.1.d. also produced estimates of savings due to meeting compliance. As with costs, these estimates are heavily caveated, as they represent a speculative projection based on a counterfactual.

Egregious Violations savings (see Table 1) = \$761,618

Enterprise-wide Violations savings (see Table 2) = \$12,165

Total potential savings = \$773,783

FISCAL IMPACT STATEMENT

As explained previously in section A.3. beginning on page 2, the Division's enforcement power is not limited in scope to any particular type of business or employer; any may be cited for violations of safety and health standards upon inspection. Should a state or local entity be inspected and violations identified, citations will be issued according to the guidance in the regulations.

A.6. Other. No reliable estimate of potential penalty impacts is achievable. Division staff examined whether there are potential penalty impacts of the proposal. Over 2023 to 2024, there is only one instance of a local entity receiving a citation for a violation that would contribute to a penalty impact, and one instance that would contribute to an incremental savings, according to the methodology as detailed in the private sector section B.1.d. Due to the case-dependent nature of citations and assessed penalties, a single data point is insufficient to provide any meaningful estimate of magnitude. For completeness, the estimate is provided below, but extreme caution should be exercised when trying to extrapolate general impacts.

Egregious Violations

The OIS queries previously described in section A.3. included two government entities with Willful violations in 2024 (and none in 2023), which are the basis for the estimates of Egregious violation penalty impacts. See Table 3. The methodology follows from B.1.d., except for column F. Average receipts, which were utilized for the private sector estimates, are not available for the public sector. In place of average receipts, the entities' budgets are used.¹² The same materiality threshold is applied to determine whether the entity would likely absorb the penalty or meet compliance (please see footnote 8 as a reminder about “meeting compliance” in the counterfactual scenario).

Table 3: Estimation of Annual Penalty Impact of Egregious Violations - Local Government

2024									
A. Random Record ID	B. Primary NAICS	C. Initial Penalty	D. Number of Exposures	E. Proxy for Egregious Violation Penalty (C x D)	F. Entity Budget	G. Egregious Penalty as a percent of budget (E / F) x 100	H. Estimated Egregious Penalties Assessed	I. Incremental Penalty Paid (H - C)	J. Incremental Savings (\$0 - C)
68493	812910	\$112,500	20	\$2,250,000	\$25,000,000	9.0%	assumed to meet compliance		-\$112,500
67922	922120	\$125,000	2	\$250,000	\$3,900,000,000	0.0%	\$ 250,000	\$ 125,000	

Enterprise-Wide Violations

The OIS query returned no instances of a local government entity satisfying the requirements of the methodology set forth in section B.1.d. beginning on page 5.

¹² To preserve anonymity, entity names and budget sources are withheld. Budget represent fiscal year 2023-24 pulled from the entities' respective websites on May 19, 2025.

Due to lack of data, there is no estimate of penalty impacts on local government for Enterprise-wide violations.

Potential penalty impact = \$125,000

Potential incremental savings = \$112,500

B.1. Additional expenditures in the current state fiscal year. No reliable estimate of potential penalty impacts is achievable. The OIS query returned no instances of a state government entity satisfying the requirements of the methodology set forth in section B.1.d. beginning on page 5. Due to lack of data, there is no estimate of penalty impacts on state government for either Egregious or Enterprise-wide violations.

B.2. Savings current state fiscal year. No additional savings are expected in the current state fiscal year, but an efficiency gain for inspections may occur in subsequent fiscal years. The potential time-savings is associated with inspections leading to Enterprise-wide violations. The proposed regulation includes a rebuttable presumption that a violation is Enterprise-wide under certain conditions, meaning that, under the proposal, a single inspection may lead to an Enterprise-wide citation whereas under the existing regulations, an inspection would have to occur at each location for citations to be issued covering each location. This counterfactual reduction in future inspections can be quantified as the time-value of those avoided inspections.

Division staff make the following assumptions:

- Based on historical data underlying Table 2, there will be four businesses receiving Enterprise-wide violations each year.
- Absent the proposal, two inspections per business, or eight total, would have occurred (based on Table 2, an average of 2 inspections per business occurred).
 - The proposal reduces the number of inspections needed to one, a 50-percent reduction. Thus, there will be four fewer inspections per year.
- An inspection takes an average of four hours.
- The fully-loaded salary of an Associate Industrial Hygienist is \$81.47.
 - According to CalHR's payscales, an Associate Industrial Hygienist at range A earns between \$6,885 and \$10,041 monthly, which

translates to between \$43.03 and \$62.75 hourly. The midpoint of this hourly range is \$52.90.¹³

- The benefits scaling factor for the Division is 54 percent.
- $\$52.90 \times 1.54 = \$81.47$

Given these assumptions, the time-savings associated with fewer inspections may be valued at \$325.88 per inspection. [\$81.47 per hour times 4 hours per inspection = \$325.88]

¹³ Source: CalHR Pay Scales https://www.calhr.ca.gov/Pay%20Scales%20Library/PS_Sec_15.pdf (Accessed May 19, 2025).